



ANNUAL REPORT

TECK CORPORATION

1981

CONTENTS

Share Information	2
Letter to Shareholders.....	3
Mining	5
Research.....	13
Mining Exploration	14
Map of Operations	16
Oil and Gas.....	17
Financial.....	20
Principal Holdings	29
Ten Year Comparative Figures	31
Directors and Officers	32

ANNUAL MEETING

The Annual General Meeting of shareholders will be held at 10:30 a.m., February 12, 1982 in the Ontario Room of the Royal York Hotel, Toronto.

Highlights

- Highmont Mine placed in production at capital cost of \$150 million
- Lornex mine expanded capacity by 70% to over 75,000 tons per day
- Afton Mines Ltd. reorganized, converting Teck's 73% share interest to a direct working interest in the mine
- Mineable reserves at Schaft Creek project increased to one billion tons
- New coking coal mine to be developed on Bullmoose property at capital cost of \$280 million
- Sale of interest in Coseka Resources for pre-tax profit of \$29 million
- Reduction in exposure to floating rate debt by \$143 million
- Frontier exploration agreement with Aquitaine covering prospects in the Beaufort Sea, Arctic Islands and offshore Labrador
- Ordinary earnings \$11.9 million or 45¢ a share, down from \$31.8 million in 1980
- Net earnings including profit on sale of investments \$52.5 million or \$2.05 a share

Rotary drill at work in the Highmont open pit.



SHARE INFORMATION

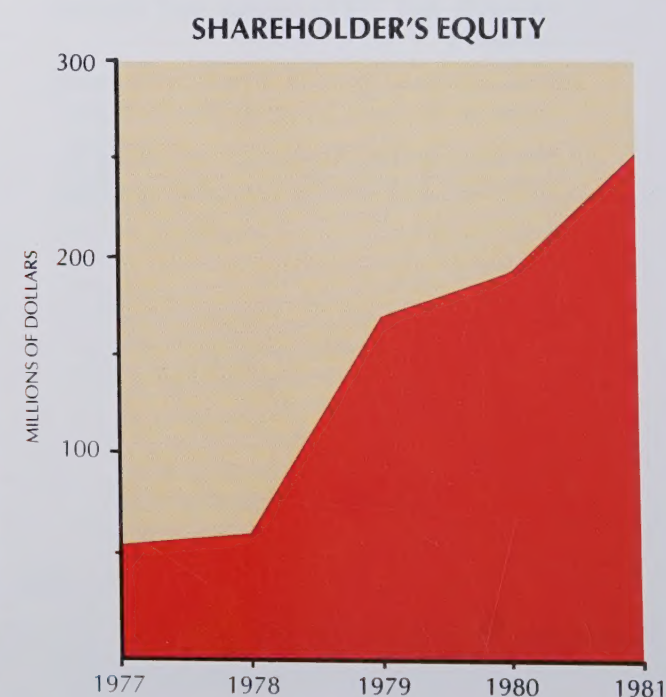
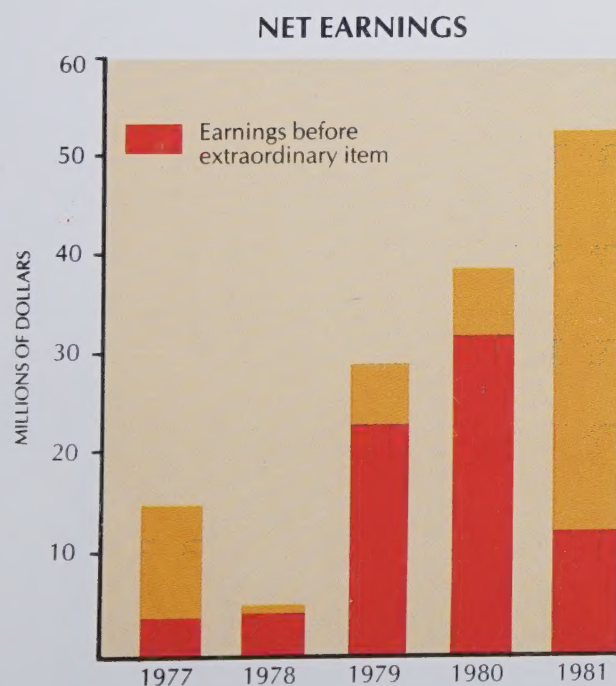
Class A and Class B common shares are traded on the Toronto, Montreal and Vancouver Stock Exchanges. The closing market values on September 30, 1981 were \$13.13 and \$12.75 per share, respectively. For Canadian capital gains tax purposes, the Valuation Day values, adjusted for the stock dividend of Class B shares in March, 1980, were \$4.75 and \$2.08 a share, respectively.

As of September 30, 1981, there were 20,449,408 Class B common and 4,891,720 Class A common shares outstanding. The shares rank equally in all respects except for voting privileges, which are one and one hundred votes, respectively.

At the fiscal year end, the largest shareholders were Copperfields Mining Corporation, with 2,547,415 Class A and 2,512,115 Class B shares, and Metallgesellschaft Canada Ltd. with 1,054,300 Class A and 3,158,900 Class B shares. Metallgesellschaft also holds a convertible debenture and convertible preferred shares which, if converted, would give that company an additional 1,177,778 Class B shares.

COMPARATIVE HIGHLIGHTS

	1981	1980
	(thousands)	
OPERATIONS		
Revenue	\$154,388	\$178,703
Exploration	11,232	10,562
Ordinary Earnings	11,859	31,816
Net Earnings	52,510	38,188
FINANCIAL STATUS		
Working Capital	\$ 23,107	\$ 8,195
Additions: property, plant & equipment ..	89,720	132,105
Total Assets	495,632	502,806
Long Term Debt	127,906	178,587
Shareholders' Equity	257,609	196,668
PER COMMON SHARE		
Ordinary Earnings	\$0.45	1.24
Net Earnings	2.05	1.49
Dividends	0.15	.15
STATISTICAL		
Number of Employees	2,083	1,706
Number of Shareholders	13,350	17,795
Average common shares outstanding. . .	25,308,271	25,273,914





Dr. Norman B. Keevil Jr., president and chief executive officer, and

Dr. Norman B. Keevil, chairman of the board and executive committee.

To the Shareholders:

The latter part of 1981 has been a difficult one for most sectors of the natural resource business, particularly the mining industry. Low metal prices combined with extraordinarily high interest rates and increasing costs of operation have resulted in declining operating earnings for most mining companies and, after four years of record earnings, Teck Corporation is no exception.

Ordinary earnings for the fiscal year ended September 30, 1981 were \$11.9 million or 45¢ a share, down from \$31.8 million or \$1.24 a share the previous year. Total earnings, including gains on the sale of investments and other assets, were \$52.5 million or \$2.05 a share, up from \$38.2 million or \$1.49 a share a year earlier.

While Teck has consistently reported extraordinary gains from non-recurring items over the years, the gains this year are the result of a specific programme to reduce our debt position, in view of high interest rates.

In the second quarter, a 20% interest in the Highmont project was transferred to a subsidiary of Metallgesellschaft for \$22 million, and that company assumed 20% of the Highmont project financing.

In the third quarter, our interest in Coseka Resources was sold to Bramalea for \$77 million, of which \$55 million was in cash and the balance covered by a bank-guaranteed note due in June, 1983. This resulted in a pre-tax gain of \$29 million, taking the note at its current value.

A reorganization to convert Afton Mines Ltd. from a corporation to a partnership was completed during the year, with Teck's earlier 73% share interest becoming a 73% working interest in the Afton property. An affiliate of Metallgesellschaft acquired the remaining 27% partnership interest, funding the cost of acquiring this from the minority shareholders. This included reimbursing Teck for \$12 million in Class C convertible preferred shares issued in the process.

While Afton's contribution to earnings is currently low because of a planned low grade cycle in the pit, combined with low metal prices, the reorganization will be beneficial in the coming years because Teck will receive its share of Afton's cash flow directly and will be able to employ this in ongoing development projects.

The combination of these transactions resulted in an effective reduction in the company's exposure to floating rate debt of \$143 million. As a result, while operating earnings will continue to be depressed as long as metal prices remain low, interest costs have been reduced, and we are in a good position for continued earnings growth when metal prices recover to more realistic levels.

The new Highmont copper-molybdenum mine was placed into production during the year and had reached 90% of design capacity by the fiscal year end. As outlined on page 6, the start-up of Highmont has not been easy and is being affected by low copper and molybdenum prices, as well as high interest rates. However, this development should prove timely, enabling us to take advantage of higher copper prices expected over the next few years. The same plant, if started today, would cost over \$200 million to complete, compared to the actual construction cost of \$150 million.

Capacity at the adjoining Lornex mine, in which Teck has a 22% share interest, was increased by 70%. The expansion cost of \$154 million was financed out of Lornex cash flow. Lornex has the highest daily throughput capacity of any metal mine in Canada, with annual production capacity now at over 200 million pounds of copper and 7 million pounds of molybdenum.

With Afton, Highmont and Lornex, Teck's share of annual copper production is now 115 million pounds, and the price of copper is the most important factor in our earnings.

Recent copper prices have been the lowest in real terms, adjusted for inflation, since 1946, as illustrated by the chart on page 6. Unlike the last low point in the price cycle, reported inventories of copper are at a low level. For these reasons, we expect that improvement in world economic conditions will result in substantial and sustained increases in the price of copper.

Teck, after several years of negotiations, reached agreement with Japanese steel mills for the sale of 1.7 million tonnes of metallurgical coal per year from the Bullmoose property, with deliveries to start by the end of 1983. Construction of the Bullmoose project will take place during 1982 and 1983 at a capital cost of \$280 million, and is scheduled to coincide with the development of another nearby coal mine being developed by Quintette Mining Company Ltd., at a capital cost of approximately \$850 million. The combined Teck-Quintette contracts with the Japanese steel industry represent Canada's largest export sale ever, and are the catalyst which will trigger the necessary infrastructure, including railroad upgrading and a new coal port at Prince Rupert, to make possible the development of a number of other new coal mines in the area in the coming years.

Ore reserves at our Schaft Creek project in northwestern British Columbia were increased from 390 million tons to 1 billion tons during the year, as outlined on page 14. Schaft Creek has now been proven to be one of the major copper deposits in Canada, as anticipated when the development contract was obtained in 1978.

Teck's interest in frontier oil and gas exploration has been expanded considerably through a farm-in agreement between Aquitaine Company of Canada Limited and a new Teck subsidiary, Teck Frontier Corporation. Teck Frontier plans to participate in all wells drilled by Aquitaine on its extensive frontier land holdings in the Beaufort Sea, the Arctic Islands and off the Labrador Coast over a four year period. Two important wells drilled on the Labrador Coast this year were North Leif which, while non-commercial because of a thin pay zone, encountered the first oil in the area, and could lead to follow-up wells; and North Bjarni, which could prove to be a significant discovery when re-entered and tested next year.

In summary, the company is in a good position for continued growth. Earnings will improve as metal prices recover, and the development of new mines will add to our commodity and earnings base. We would like to compliment the entire staff for their efforts, which have been instrumental in placing the company in this position.

We would also like to pay special thanks to the Rt. Hon. Roland Michener, who retired as Chairman of the Board in October after many years of contribution to the company, and to George L. Jennison, who retired at the same time, after eighteen years of productive service as one of your directors. Mr. Michener will continue to serve as Honorary Chairman, and Mr. Jennison's counsel will continue to be available as a friend and advisor. While their particular contributions cannot be replaced entirely, it is a pleasure to note that their places on the Board have been filled by Keith E. Steeves, Vice-President of Marketing, and Ross G. Duthie, previously President of Placer Development.

December 4, 1981

On behalf of the Board



NORMAN B. KEEVIL,
Chairman



NORMAN B. KEEVIL, Jr.,
President



Robert E. Hallbauer, senior vice president, addressing guests at the official opening of the Highmont mine.



Keith E. Steeves, vice president, marketing.



Richard Drozd, vice president, engineering.

MINING

Teck operates seven mines producing copper, gold, silver, zinc, niobium and molybdenum. These are the Newfoundland Zinc mine, the Niobec niobium and Lamaque gold mines in Quebec, the Silverfields silver mine in Ontario, and the Beaverdell silver, Afton copper-gold and Highmont copper-molybdenum mines in British Columbia.

Teck also plans to develop a new coking coal mine in northeastern British Columbia, with construction scheduled to be completed by late 1983.

In addition to these operations, Teck has a 22% share interest in Lornex Mines Limited, which recently expanded its copper-molybdenum operation in British Columbia to a capacity in excess of 75,000 tons of ore per day, making it Canada's largest metal mine in terms of mill throughput.

Teck's Share of Metal Production

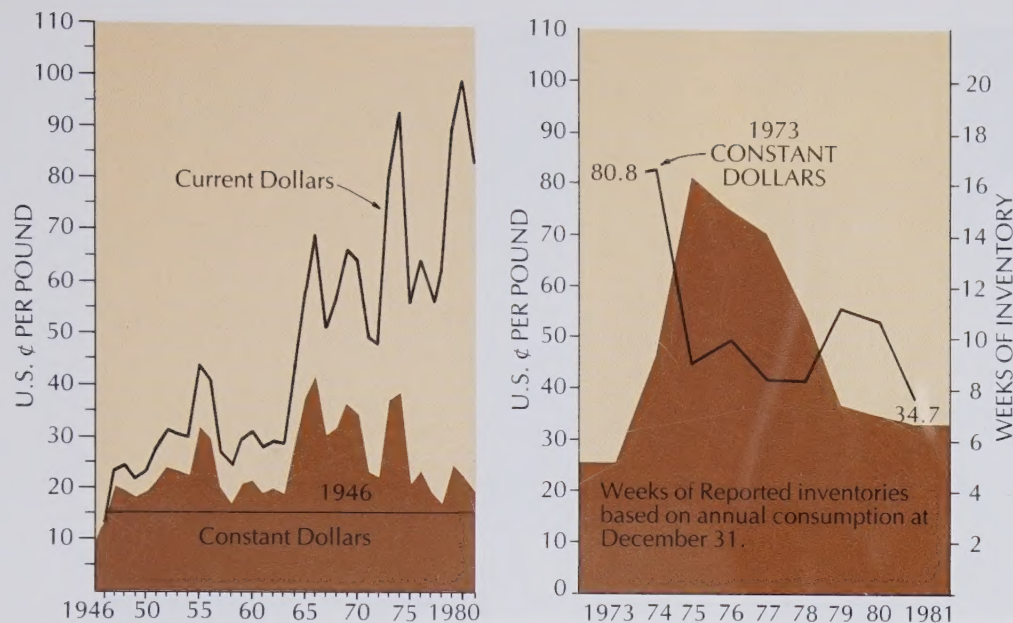
	1981	1980	1979	1978	1977
Copper (pounds)	73,301,000	70,299,000	65,897,000	13,892,000	—
Gold (ounces)	63,514	65,170	83,817	70,840	62,073
Silver (ounces)	1,152,591	1,137,517	1,358,533	1,222,110	1,349,944
Zinc (pounds)	57,441,263	57,602,792	62,320,157	62,574,818	63,315,759
Niobium oxide (pounds)	2,980,388	2,720,079	2,722,413	2,853,671	2,670,968
Molybdenum (pounds)	2,368,106	1,121,190	829,710	—	—

COPPER

Teck produces copper from its Afton and Highmont mines, and has a 22% share interest in the Lornex mine. These three mines now have an annual capacity of close to 300 million pounds of copper, of which Teck's share is 115 million pounds.

As with all commodities subject to the laws of supply and demand, the price of copper normally moves inversely to the levels of inventories of the metal held by producers, fabricators and consumers. The right hand chart on page 6 contrasts reported year-end copper inventories, expressed in weeks of annualized consumption, with average annual copper prices adjusted for inflation. At the end of 1973, when inventories were reaching the low level of under six weeks of consumption, copper prices reached record high levels. The inventory build-up which followed and peaked at nearly seven weeks of consumption in 1975 resulted in low copper prices.

Since 1975 inventories have decreased steadily to the current level of approximately seven weeks, the lowest level since 1973. However, copper prices in real terms have not yet responded to the substantial reduction in inventories and remain at levels that are below production costs of most producers. In constant dollars, as illustrated by the left hand chart on page 6, copper prices are the lowest they have been since 1946. We believe that this is cause for confidence that prices will begin to improve in the near term. The extent of improvement will depend upon general economic conditions, and in particular the effectiveness of the Reagan economic programme in the United States and its effect on other consuming nations.



Left: The average annual price of copper on the London Metal Exchange since 1946 in actual and constant dollars.

Right: The constant dollar price since 1973 and the level of inventories of copper metal. The combination of low inventories and the low price is unusual.

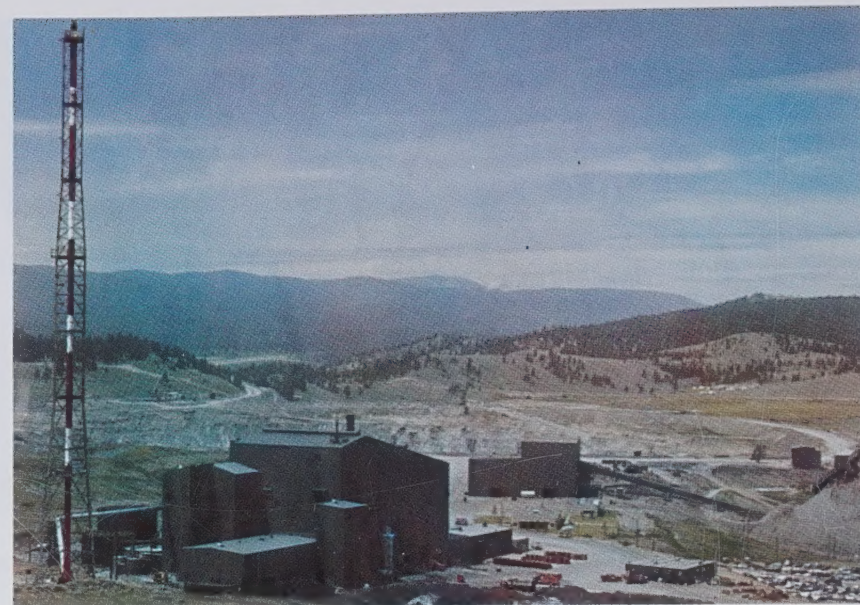
The Afton Mine

As a result of a reorganization completed during the year, Teck, which previously held a 73% share interest in Afton Mines Ltd., now owns a direct 73% partnership interest in the Afton mine and smelter, with the remaining 27% owned by an affiliate of Metallgesellschaft Canada Limited.

Afton produced 45 million pounds of copper in fiscal 1981, as well as 41,000 ounces of gold and 246,000 ounces of silver. This was down from 59 million pounds of copper, 45,000 ounces of gold and 308,000 ounces of silver in the prior year, primarily because of a reduction in the average grade of ore milled from 1.07% to 0.93% copper.

The ore grade in the coming fiscal year is expected to average 0.65%. This is lower than the average reserve grade because mining in the higher grade core has reached the bottom of the first stage pit, and the lower grade walls must be mined before re-entering that core. After this year, the grade will increase to about the average open pit ore reserve grade of 0.81%.

The original Afton open pit plan called for mining to a depth of 930 feet. When it became evident that sufficient reserves were available beneath the pit bottom to warrant underground development, some of the lower portion of the open pit reserves were transferred to underground reserves. As a result, open pit ore reserves were 14,800,000 tons at 0.81% copper and 0.016 ounces per ton of gold at the year end, and 10,500,000 tons at 1.50% copper and 0.03 ounces per ton of gold have been classified as geological reserves



Afton's smelter is in the foreground, with the concentrator and open pit in the centre.

beneath the planned pit limit. Feasibility studies for an eventual underground mining operation will be continued this year.

With reduced grade and lower copper and gold prices Teck's share of Afton's operating profit was down from \$44.6 million to \$19.0 million in fiscal 1981. Earnings in the coming year will depend primarily upon the price of copper and the duration of a strike called on November 20, 1981 by the United Steelworkers of America.

The Highmont Mine

The new Highmont copper-molybdenum mine was placed into production in mid-year at a capital cost of \$150 million. Teck owns 80% and a subsidiary of Metallgesellschaft Canada Limited owns 20% of this operation, which will have an average annual capacity of 4 million pounds of molybdenum and 40 million pounds of copper. The mine is located in the Highland Valley district of British Columbia, immediately southeast of the Lornex mine.

The concentrator has a rated capacity to process 25,000 tons of ore per day. By the month of September the plant had reached an average of 22,800 tons per day or 91% of capacity, with individual days processing as high as 33,000 tons. Production is expected to stabilize at or above rated capacity in the coming months.

Metal recoveries during the tune-up period to September 30 averaged 81% for copper and 59% for molybdenum. These are lower than forecast for



Conveyor from crusher to coarse ore stockpile at Highmont.

continuous operation because of discontinuous mill availability during the tune-up period. The emphasis to date has been to achieve the rated processing capacity, and recoveries should improve to design levels as the mill operation settles down.

Production to the end of September totalled 12.4 million pounds of copper and 1.8 million pounds of molybdenum, sold to Marc Rich and Co. AG and Metallgesellschaft AG, respectively, under long term contracts. Despite reduced output and the low copper prices that prevailed throughout the period, Highmont was able to achieve a modest operating profit of \$685,000. The prices of both copper and molybdenum have continued to fall and the mine is currently operating at a loss.

Mineable ore reserves at Highmont at the start of production were 134 million tons grading 0.26% copper and 0.027% molybdenum, and were little-changed at the year end.

The Lornex Mine

Teck holds a 22% interest in Lornex Mines Ltd., which operates a copper-molybdenum mine adjacent to Highmont.

During 1981 capacity was expanded by approximately 70%, at a capital cost of \$154 million. Milling capacity at Lornex is now in excess of 75,000 tons per day, the largest for any metal mine in Canada. The expansion was financed out of cash flow.

Lornex produced 4 million pounds of molybdenum and 139 million-pounds of copper in Teck's 1981 fiscal year, and this is expected to increase



Derik Biggin, Mine Safety Supervisor and Al Mitchell, Mine Manager, hold the John T. Ryan regional mine safety award, won by Newfoundland Zinc in 1980.

by about 70% during the coming year. Lornex was also affected by low metal prices, and contributed \$7.1 million to Teck's earnings in 1981, compared with \$14.4 million the previous year.

Lornex ore reserves were 452 million tons grading 0.38% copper and 0.015% molybdenum at December 31, 1980, little-changed from those a year earlier.

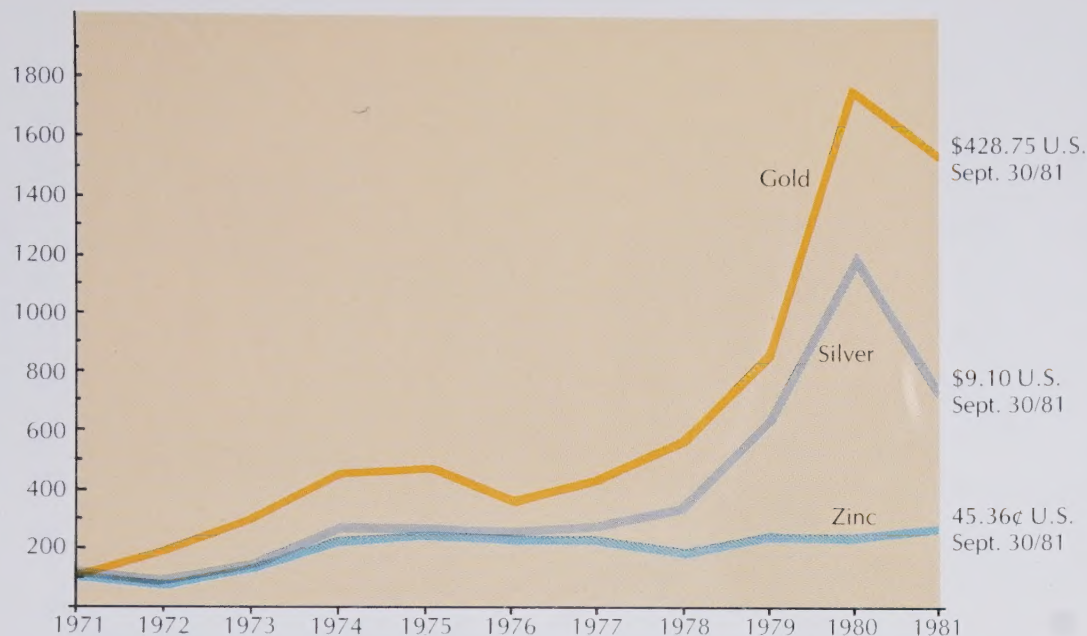
ZINC

The Newfoundland Zinc Mine

The recent price of zinc has been firm relative to other metals, averaging 40.8¢ (U.S.) a pound in fiscal 1981 and closing the year at 45.4¢ a pound. Although consumption of zinc metal is affected by weak economic conditions, demand for concentrate has been strong and the outlook for zinc producers is reasonably stable.

Teck owns a 63% equity in the Newfoundland Zinc mine near Daniel's Harbour in Newfoundland, with the remaining 37% held by Amax Lead and Zinc, Inc. The mine produced 90 million pounds of zinc in fiscal 1981, for an operating profit of \$13.6 million, compared with \$10.7 million on 91 million pounds a year earlier.

Ore reserves at the fiscal year end stood at 1.3 million tons of 7.7% zinc, primarily in the main L Zone. During the year, diamond drilling in a new parallel zone 900 feet to the northwest indicated the possibility of additional mineable reserves in this area, and plans are to crosscut over to explore this at depth in the coming year.



The indices of average annual prices of gold, silver and zinc and the price at the end of fiscal 1981.

GOLD

Teck produced 33,500 ounces of gold from its Lamaque mine and 30,000 ounces from its share of the Afton project.

The price of gold is influenced only in part by the cost of production and supply, and to a large extent by inflation, the cost of money and speculative factors. The average price received in 1981 was \$511.24 (U.S.) an ounce, compared with \$612.56 in 1980. At year end the price had weakened to \$428.75 and the near term outlook is uncertain.

The Lamaque Mine

Teck operates the Lamaque gold mine at Val d'Or, Quebec, a mine which has been in continuous production since 1934.

Production at Lamaque in 1981 amounted to 33,500 ounces of gold and 6,000 ounces of silver, from 437,000 tons of ore at an average mining rate of 1,250 tons per day. This compared with 32,077 ounces of gold and 5,468 ounces of silver produced in the last fiscal year from 366,276 tons of ore. The Lamaque mill also treats ore from the Kiena mine on a custom milling basis, and the combined mill throughput averaged 1,660 tons per day during the year.



Pouring gold at Lamaque.

Operating profit at Lamaque was \$3.7 million in fiscal 1981, compared with \$8.4 million a year earlier. Ore reserves at the year end were 293,000 tons grading 0.109 ounces of gold per ton, compared with 375,000 tons at 0.131 ounces at the previous year end.

SILVER

Teck operates the Beaverdell silver mine in British Columbia and the Silverfields silver mine in Ontario, as well as producing by-product silver from its Lamaque and Afton mines. Combined silver production in 1981 was 1,103,000 ounces compared to 1,116,088 ounces the previous year.

The price of silver was down substantially in 1981, averaging \$12.93 (U.S.) an ounce compared with \$20.63 an ounce the previous year, when it reached a high of \$44.37. The price at the close of fiscal 1981 was \$9.10 an ounce.

The high price in 1980 was caused by speculative investment and the levels reached bore little relationship to the cost of production. Extreme price fluctuations are detrimental to the mining industry because they cause some permanent substitution on the part of industrial consumers. Since most of the world's silver production is a by-product from operations primarily directed towards other metals, production is relatively price-inelastic and the outlook for the price will continue to be influenced by speculative factors and interest rates, as is the case with gold.



Placing concrete in foundation at Beaverdell.

The Beaverdell Mine

Beaverdell produced 305,000 ounces of silver in 1981, compared with 367,000 ounces the previous year. Operating profit was \$1.2 million, down from \$5.8 million primarily as a result of lower prices.

A feasibility study was carried out to assess the practicality of re-treating old tailings dumps. The results were technically positive, but the project will not be proceeded with until the price of silver improves. In the meantime, underground production is expected to continue at the same level as in recent years.

Teck has never reported ore reserves at Beaverdell because the nature of the vein systems makes it impractical to project reserves much in advance of mining.

The Silverfields Mine

Silverfields produced 545,000 ounces in 1981, compared with 436,000 ounces the previous year. Lower silver prices reduced operating profit from \$5.7 million to \$2.8 million.

Reserves on the original Silverfields property are being depleted and the life of the mine beyond the coming year will depend upon additions to ore reserves, if any, from the adjoining Silver Summit property or from other exploratory properties in the area.



The Silverfields Mine headframe and ore storage bins.

NIOBIUM

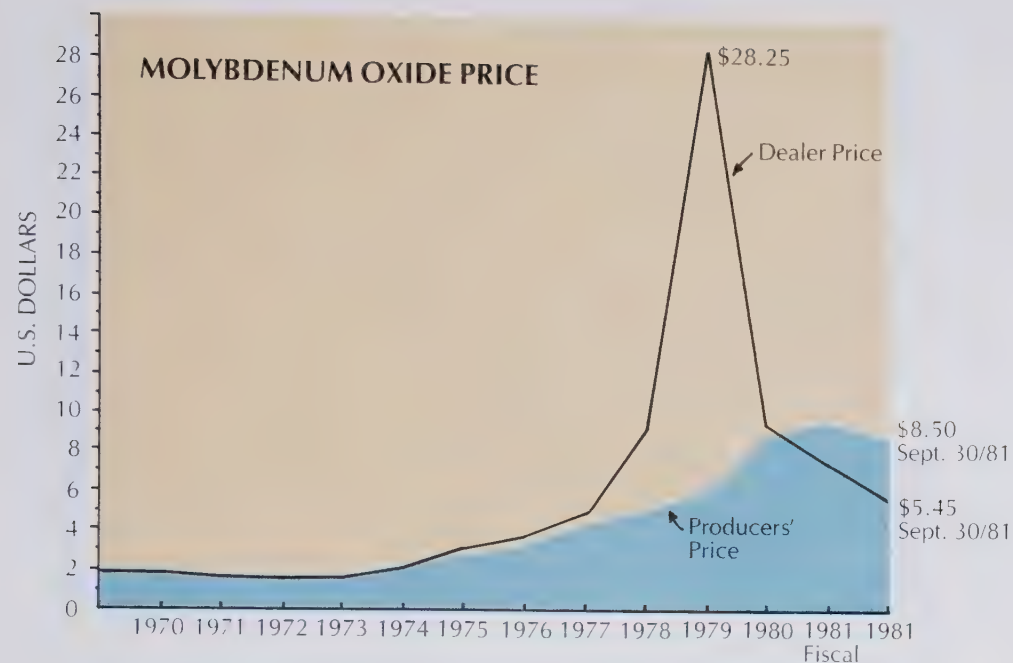
The Niobec Mine

Teck produces 3 million pounds a year of niobium oxide as a result of its 50% joint venture interest in the Niobec mine near Chicoutimi, Quebec.

Niobium, also known as columbium, is a specialty metal used primarily as an alloying agent in HSLA (High Strength Low Alloy) steels, as well as in superconductive electrical products. The main producer in the world is Companhia Brasileira de Metalurgia e Mineracao of Brazil, which accounts for 6,000 metric tonnes or 41.0% of annual consumption. Niobec and another Brazilian producer of similar size are the other two principal producers of the metal.

The price of niobium oxide in concentrate averaged \$3.20 a pound in 1981, up slightly from \$3.00 in 1980. Niobec's production is sold to ferro-alloy producers in Europe, North America and Japan through several agents.

Teck's share of operating profit in 1981 was \$4.0 million, up from \$3.4 million the previous year. Ore reserves at the fiscal year end were 13 million tons grading 0.67% Nb_2O_5 , compared with 10,347,000 tons at 0.65% Nb_2O_5 a year earlier.



The average annual prices of molybdenum, showing both the Producers' price and the Dealer price.

MOLYBDENUM

Teck's interest in molybdenum production has increased as a result of the new Highmont mine and the increase in capacity of the Lornex mine, both of which have been dealt with under copper. Teck's share of annual production from both mines is expected to average 5.5 million pounds in the coming years, up from 2.4 million pounds in 1981.

Molybdenum is currently in oversupply, with excessive inventories in the hands of producers and consumers. This is reflected in both the Producers' Prices and so-called free market or Dealer price, both of which have declined. The free market price has fallen from a high of over \$28 (U.S.) a pound in 1979 to just over \$5 at the end of the fiscal year.

The amount Highmont receives for molybdenum is based on the European Producers' Price, with a minimum of \$7.50 (U.S.) per pound. Any advances received under the floor price provisions are repayable without interest after retirement of the construction bank indebtedness.

The outlook for a near term recovery in molybdenum is not favourable, considering both the level of inventories and the number of new mines which are committed for development.



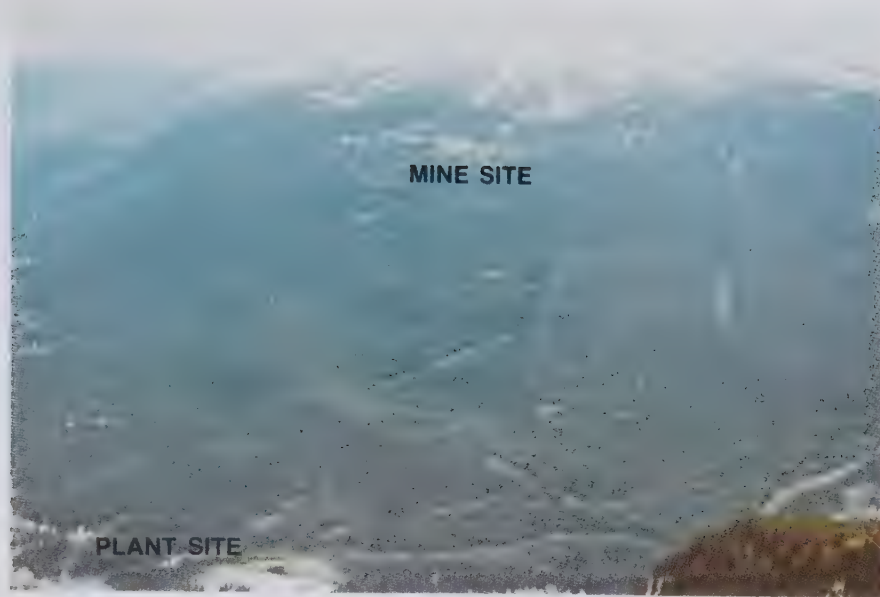
The Hon. Robert K. Andras, senior vice president.

COAL

Western Canada has substantial reserves of both coking and thermal coal, markets for both of which have been improving significantly in recent years, in part because of increases in the cost of competing sources of energy. Western Canadian mineable coal reserves are estimated to be in excess of 50 billion metric tonnes, and their development will be a major factor in Canada's future economic growth, both as direct coal sales and in petrochemicals.

Coal production and development anywhere in the world is tied closely to transportation, with markets generally far removed from the coal mines. Rail transportation and port facilities are therefore major determinants in the development of new coal mines.

In recent years, eastern United States exports of coal to Europe have been plagued by bottlenecks in both rail transport and port loading facilities, resulting in high demurrage costs. Attempts are being made to improve this, but completion will take some years. South Africa, a major thermal coal supplier to Europe, has built modern new port facilities at Richards Bay, and has established itself as a reliable supplier. Australia, the major supplier to date for the far eastern and Japanese markets, has had difficulties because of labour problems at its mines, railways and ports.



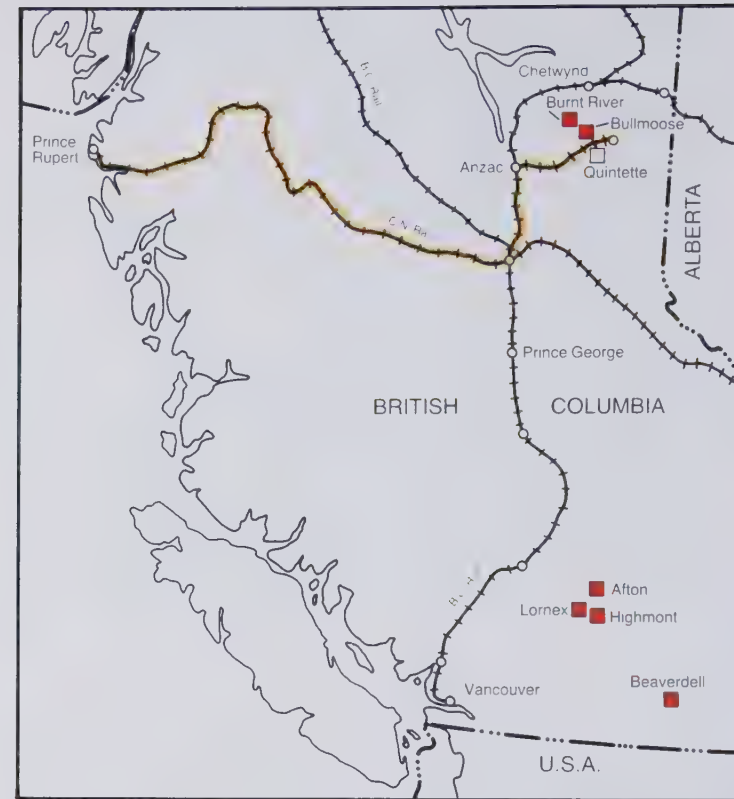
The Bullmoose mine location and the site of the planned washing plant in the Bullmoose Creek valley.

Canada's western coal exports have to date been carried over the southern CN and CP rail lines through the Fraser Canyon, and shipped out of Vancouver terminals. Both the rail lines and terminals are close to capacity.

In order to increase Canada's capacity to handle coal for export, government and industry have become involved in a \$2 billion coal, rail transportation and port development project in northern British Columbia. Teck plans to develop a 2.3 million tonnes per year coking and thermal coal mine on its Bullmoose property south of Chetwynd, British Columbia. Another coal group will develop the nearby Quintette coal mine at a cost of \$850 million, with annual capacity of 6 million tonnes. The B.C. Railway will complete a 130 km spur line into the area, Canadian National will upgrade its northern rail line from Prince George to Prince Rupert, and a new coal loading port will be built near Prince Rupert.

The Bullmoose Mine

Bullmoose will be an open cast coal operation, with an initial capacity of 1.7 million tonnes of coking coal and 0.6 million tonnes of thermal coal. Plans are to complete the project by the end of 1983, at a capital cost of \$280 million. Reserves stand at 62 million tonnes of saleable, washed coal, sufficient for 25 years of production at the initial capacity.



The Bullmoose mine and the nearby Quintette mine, being developed by another company, are part of a major industry-government development programme in northern British Columbia. This includes a new townsite at Tumbler Ridge, a new rail link from there to Anzac, upgrading of the northern Canadian National rail line from Prince George to Prince Rupert. The infrastructure triggered by Bullmoose and Quintette will make possible the development of a number of other coal deposits in the area.

Mining will be a conventional truck and shovel operation, feeding a washing plant located 35 km from the new townsite of Tumbler Ridge. Washed coal will be trucked 34 km to the new rail line.

The coking coal has been sold on long term contract to a consortium of Japanese steel mills. Construction at the townsite and on the railroads is already in progress, and construction at the Bullmoose mine itself is expected to get underway in the Spring of 1982.

Other Coal Properties

Teck has two other properties in British Columbia's northeast coal district. The Burnt River semi-anthracite coal deposits, described more fully on page 14, are 30 kilometres north west of Bullmoose, and the Mount Speiker coking coal prospect, presently farmed-out to another company, adjoins the Bullmoose property on the east.

MINE OPERATING STATISTICS

	AFTON COPPER,GOLD		NEWFOUNDLAND ZINC ZINC		LAMAQUE GOLD		SILVERFIELDS SILVER		BEAVERDELL SILVER		NIOBEC NIOBIUM	
	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980
TECK INTEREST	73%	73%	63%	63%	100%	100%	100%	100%	100%	100%	50%	50%
Tons Milled	2,814,220	3,133,660	605,882	558,424	437,520	366,276	85,902	84,756	40,435	41,543	762,838	657,074
Tons Per Day	7,690	8,560	1,716	1,650	1,257	1,648	235	232	114	117	2,188	1,846
Grade (% or oz/ton)	0.93	1.07	7.6	8.3	0.084	0.095	6.7	5.8	8.6	10.0	0.58	0.63
Recovery (%)	85.9	87.8	97.9	98.2	91.4	92.0	94.1	91.9	87.5	88.4	66.9	65.8
Production:												
Copper (lbs)	44,912,930	59,106,500										
Gold (oz)	41,024	45,333			33,566	32,077						
Zinc (lbs)			90,544,236	90,798,852								
Silver (oz)	246,150	307,790			6,000	5,468	545,133	435,680	305,725	367,150		
Molybdenum (lbs)												
Niobium Oxide (lbs)											5,960,776	5,440,159
Operating Cost Per Ton	12.72	8.92	17.87	18.25	39.17	33.88	32.20	30.99	58.49	49.16		
Average Price												
Main Product (\$)	0.96	1.15	0.49	0.41	560.49	644.84	13.90	22.95	13.99	21.70		
Operating Profit (\$)	26,092,000	61,079,000	13,566,500	10,729,800	3,689,000	8,354,000	2,773,000	5,704,000	1,228,000	5,834,000	7,920,000	6,920,000
Ore Reserves (tons)												
Open Pit	14,800,000	21,385,000										
Underground	10,500,000		1,350,000	1,664,000	293,000	375,000	89,000	129,000			13,000,000	10,347,000
Grade Reserves												
(% or oz)												
Open Pit	0.81 Cu 0.016 Au	0.93 0.016										
Underground	1.50 Cu 0.03 Au	0.93 0.047	7.7	8.1	0.109	0.131	6.1	6.8			0.67	0.65

MINE OPERATING STATISTICS

HIGHMONT COPPER, MOLYBDENUM	LORNEX COPPER, MOLYBDENUM		
1981 (A)	1981	1980	
80% (B)	22%	21%	TECK INTEREST
4,943,117	19,666,000	17,892,000	Tons Milled
18,107	53,879	49,154	Tons Per Day
0.155 Cu	0.418 Cu	0.421 Cu	Grade (% or oz/ton)
0.033 Mo	0.015 Mo	0.018 Mo	
81.30 Cu	89.77 Cu	90.34 Cu	Recovery (%)
58.60 Mo	69.90 Mo	82.60 Mo	
			Production:
12,454,965	139,096,000	129,048,000	Copper (lbs)
			Gold (oz)
			Zinc (lbs)
			Silver (oz)
1,835,813	4,023,000	5,343,000	Molybdenum (lbs)
			Niobium Oxide (lbs)
5.13	4.26	3.59	Operating Cost Per Ton
			Average Price
0.94 Cu			Main Product (\$)
11.06 Mo			
685,000	64,470,000	124,556,000	Operating Profit (\$)
			Ore Reserves (tons)
135,000,000	438,987,000		Open Pit
			Underground
			Grade Reserves
			(% or oz)
0.260 Cu	0.382 Cu		Open Pit
0.027 Mo	0.015 Mo		
			Underground

(A) From January 1, 1981

(B) 100% up to March 20, 1981



Carl H. Rosner, president of TDC Technology Development Corporation.

RESEARCH

Teck and CDC Ventures Limited are sponsoring research and development projects and investments through a jointly-owned company, TDC Technology Development Corporation. This company holds shares in a number of subsidiary and associated companies which are engaged in the development of high technology products or processes.

TDC owns 22% of the shares of Intermagnetics General Corporation, a company involved in research and manufacturing in the field of superconductivity, utilizing niobium-based alloys. Intermagnetics is the largest supplier of superconductive materials and equipment in the United States.

In Seagold Industries, TDC is sponsoring development of portable and home-sized desalination equipment which combine an energy-efficient pump and reverse osmosis technology to produce fresh water from seawater.

TDC is also sponsoring research and development activities of a subsidiary, Moli Energy Limited. This company is exploring a promising battery technology, involving a lithium-molybdenum disulphide system which has potential for application in electric vehicles as well as in other areas. The system has so far been scaled up successfully from the laboratory and small battery stage to the equivalent size of a normal automotive battery.

In addition, TDC is investigating a number of other potential products and process opportunities in a diverse range of technologies, including some which may have application in the field of mineral separation and beneficiation.



John L. May, president of Teck Explorations Limited.



The Schaft Creek orebody is located in the Mess Creek valley in the Liard mining district of northwestern British Columbia.

MINING EXPLORATION

Western Canada

The most significant result of Teck's mining exploration programme in 1981 was the increase in ore reserves at the Schaft Creek property in northwestern British Columbia. Reserves within the proposed open pit were increased from 390 million tons to one billion tons, with a grade of 0.30% copper, 0.034% molybdenite, 0.004 ounces of gold per ton and 0.035 ounces of silver per ton, with a waste to ore ratio of 1.2 to one. Teck can earn a 70% interest in the property by placing it into production and a subsidiary of Silver Standard Mines Limited, which is affiliated with Teck, holds the remaining 30% as a carried interest.

Further drilling in the past summer was designed to prove up a possible higher grade initial pit, as well as to examine proposed plant, tailings and waste disposal sites. Results of this drilling programme are not all available as yet.

Regional exploration in the area surrounding the Schaft Creek deposit resulted in some interesting new precious metal prospects which will be followed up in the coming year.

Geological reserves of Teck's Burnt River coal property in northeastern

British Columbia were increased by drilling in 1981, and now stand at 30,000,000 tonnes, sufficient for an operation in the one million tonne per year range. In addition, three bulk samples were taken for metallurgical analysis, and geotechnical surveys were completed for purposes of a feasibility study. Burnt River coal is classified as semi-anthracite coal with low ash, low sulphur and a high Btu content.

Eastern Canada

Teck participated in a syndicate exploring for massive sulphide deposits using the DIGHEM airborne electromagnetic system, and a number of anomalies were staked, to be drilled in the coming year.

An all-weather road was constructed to provide access to the Montcalm Township nickel-copper deposit near Timmins, Ontario. Teck has a 34.5% interest in this property, on which mineable reserves are 4,200,000 tons of 1.2% nickel and 0.6% copper.

A new mineralized zone was discovered 900 feet northwest of the main "L" Zone on the Newfoundland Zinc property. This will be explored by a cross-cut from the main mine workings in 1982. There are indications that this zone, although narrow, may be continuous for a length of over 8,000'. At the present stage of exploration, it is not possible to calculate the ore reserves that may be contained in this new zone.

Teck's old Leitch gold property near Beardmore, Ontario, was explored



Ken Thorsen of Teck Explorations and N. Ogushi of Dowa Mining using an electromagnetic survey instrument to locate hidden ore deposits.



The Dighem System shown surveying Mount St. Helens. The United States Geological Survey employed Dighem to detect geothermal activity in the volcano. The "Bird" towed beneath the helicopter contains electromagnetic transmitting and receiving coils. Photo courtesy of U.S.G.S.

by further drilling to investigate the merits of re-opening the mine. Waste dumps on the property have been processed on site with concentrates being shipped to Teck's Lamaque mine for treatment in the cyanide circuit.

Following the year end, an option to place the Corona gold property near Hemlo, Ontario into production was obtained.

Australia

An Australian syndicate in which Teck has a one-third participation is now in its second year of operation, exploring for massive sulphide deposits. A total of twenty-two exploration licences are held in New South Wales, of which eighteen have been surveyed by DIGHEM. Detailed ground exploration preparatory to drilling is now underway.

Teck is also participating in joint ventures on gold and copper-nickel properties in Western Australia, and on a silver property in New Zealand.

United States

Teck has examined a number of precious metal properties in the western United States. Currently, an underground programme is in progress at the 'old Carter mine in Colorado, where the continuity of two gold-quartz veins is being investigated by exploration drifts on the 1500 level, approximately 700' beneath the last levels developed by mining. Teck has a 60% interest in this joint venture.

Exploration Subsidiaries

Dighem Limited is a 64% owned subsidiary of Teck Explorations Limited. Dighem has pioneered development of the DIGHEM helicopter-borne electromagnetic system, which plays a substantial role in Teck's exploration activities. Dighem also provides contract services to the mining industry at large and to government organizations.

In 1981, Dighem carried out surveys for clients in Canada, Australia, France, Italy, Germany, Norway and the United States. Presently, the company has four survey units, two in North America, and one in each of Australia and Europe. In addition, a DIGHEM system was built for the government of Austria and, previously, a similar system was sold to Germany.

Teck Explorations also holds a 50% interest in Sonotek Limited, a manufacturer of geophysical instruments and meteorological and process-control equipment.

● **MINING
PRODUCTION**

1. Newfoundland Zn
2. Niobec Nb
3. Lamaque Au
4. Silverfields Ag
5. Beaverdell Ag
6. Afton Cu Au
7. Highmont Cu Mo
8. Lornex Cu Mo

● **MAJOR
PROSPECTS**

9. Schaft Creek Cu Mo Au
10. Bullmoose Coking Coal
11. Burnt River Thermal Coal
12. Montcalm Ni Cu

● **PETROLEUM PRODUCTION**

● **PETROLEUM EXPLORATION**

● **TECK FRONTIER**





Ronald A. McIntosh, president of Teck's oil and gas division.



Drilling off the Labrador coast requires constant monitoring of icebergs like this one.

OIL AND GAS

Teck is involved in conventional petroleum exploration and production in Canada and the United States, as well as in frontier exploration in the Beaufort Sea and off the Labrador Coast.

The Canadian oil and gas industry has been in a state of flux, if not disarray, in the past few years as a result of Federal-Provincial arguments over allocation of resource income between the two levels of government and, last and all too often least, the producer. The National Energy Program of November, 1980 was followed by Provincial production cutbacks and ultimately by agreements negotiated at year end between Ottawa and the western provinces. These developments affected our output adversely during 1981.

Teck's Canadian oil production was reduced to 750,000 barrels in 1981 from 909,300 barrels the previous year as a result of the cutbacks, and natural gas production remained relatively steady at 3.3 billion cubic feet. Operating profit on Canadian production, after deducting \$6.2 million in Provincial royalties, was \$9 million, compared with \$9.9 million a year earlier. U.S. production of 94,000 barrels of oil and 0.1 billion cubic feet of gas resulted in total production of 844,000 barrels and 3.4 billion cubic feet, and total operating profit from both Canada and the United States was \$10.6 million, compared with \$11.2 million in 1980.

Teck participated directly in 127 exploratory and development wells during the year of which 48 were in Canada and 79 were in the United States. This resulted in 23 gas wells, 29 oil wells and 53 oil and gas wells for a combined success rate of 82%.

Reserves

Proven and probable reserves at the year end were estimated by the company's engineers to be 10,962,000 barrels of oil and 102 billion cubic feet of gas, compared with 10,273,000 barrels of oil and 95.4 billion cubic feet of gas a year earlier.

Location of Reserves

	Barrels of Oil	mcf of Gas
Alberta	2,357,000	80,216,000
British Columbia	25,000	9,562,000
Saskatchewan	5,567,000	145,000
Manitoba	191,000	—
Northwest Territories	—	961,000
USA	2,822,000	11,633,000
Total	10,962,000	102,517,000

Canadian Exploration

Conventional Canadian exploration was concentrated in Alberta during the past year. Teck has interests ranging from 18.75% to 25% in units in the Wayne-Rosedale field in southern Alberta, where production has averaged more than 22,000 barrels of oil per month for the last six months. Field solution gas sales estimated at 2,000 mcf per day are scheduled to begin in November, 1981. Additional development of the field is planned including evaluation of enhanced recovery mechanisms.

In northeastern Alberta, Teck has interests in more than 300,000 gross acres and 47,000 net acres. Within this area the Chard area is due to commence production in April of 1982 and the Livock and Liege areas are scheduled to commence production in November of 1982. Teck's share of production is projected to be in the order of 2 to 2.5 million cubic feet of natural gas per day from these properties.

In the Edson area of Alberta, Teck participated in four wells this year, in addition to the seven previously drilled. Teck currently has a 20% interest in 29,600 acres and a 10% interest in 8,320 acres in the area. One further well is planned for the forthcoming year. Production potential exists in numerous zones including the Belly River, Cardium, Viking, Bluesky, Gething, Cadomin, Nordegg and Elkton. The reserves have been offered to TransCanada Pipelines for its new gas export contracts, with initial production possible in 1983 or 1984.

In the Delia area of southern Alberta, Teck has a 12.5% interest in five wells that together have estimated proven and probable reserves in excess of 20,000,000 mcf of gas. Production may commence in 1983.

United States Exploration

Teck has concentrated its exploratory efforts in the United States this year in three principal areas: the North Dakota portion of the Williston Basin, Texas and Appalachia.

Teck has drilled fifteen wells in the Nesson Anticline area of North Dakota including six wells in the Berg field. The nine other test wells are either completed or in the process of completion as oil wells. Teck has interests varying from 8.5% to 10% in the project. Additional development and exploratory drilling is planned.

Teck has a 25% interest in the Lon C. Aiken well located in Kaufman County, Texas. The well was placed in production on August 22, 1981 at a rate of 1,200 mcf/day and 77 barrels of condensate per million cubic feet of gas. The production rate is presently restricted by the Texas Air Control Board because of the presence of hydrogen sulphide in the gas stream. A field extension well is planned for 1982. It is possible that further drilling in the area will develop sufficient gas reserves to support a sour gas pipeline, in which case the production rate may be increased.

During the early portion of the year the remaining 53 wells in the 100

well Ohio programme were drilled. Teck has a 37.5% interest in the programme. Production to date has been below projections; however, analysis by independent consultants confirms the presence of commercial oil and gas reserves, and studies are underway to improve stimulation and completion techniques.

Teck has undertaken a leasing programme in the Pennsylvania and New York portion of the Appalachian Basin and has interests in 234,000 gross acres and 51,000 net acres. The area has potential for oil and gas production in Devonian sand and carbonate reservoirs at depths ranging from 1,500 feet to more than 4,000 feet.

Frontier Exploration

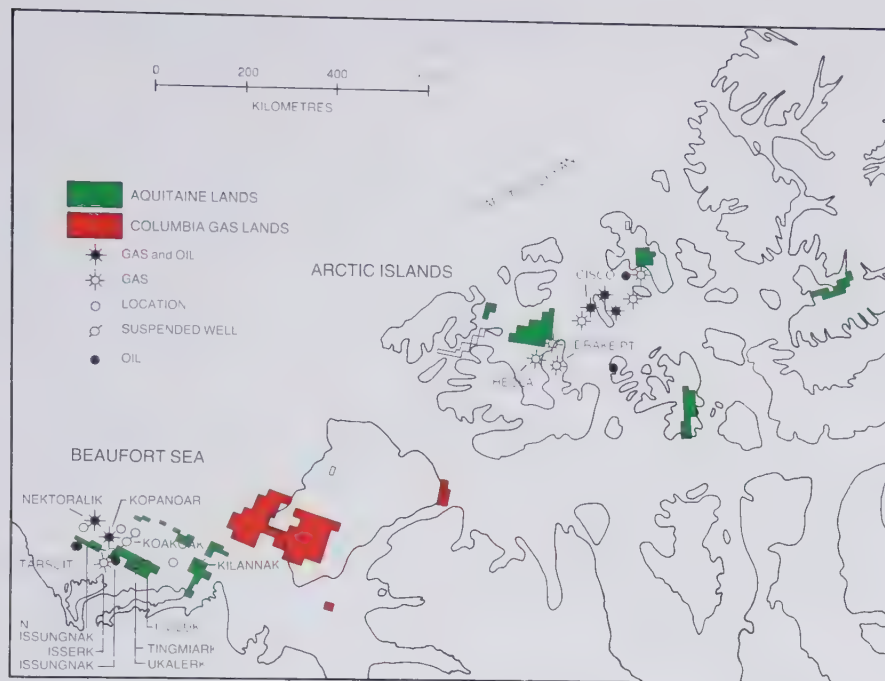
In 1980 Teck became involved in exploration off the Labrador Coast through an agreement with Columbia Gas, under which Teck committed to spend \$9 million over a three-year period, as part of a multi-company \$60 million exploration programme on Columbia Gas lands in the frontier and on the mainland. One unsuccessful well, Chevron South Labrador M-79, was drilled on the Labrador Shelf east of the Hopedale gas discovery. Further East Coast drilling under this programme was deferred this year while Columbia Gas and partners assessed the impact of the National Energy Program (NEP). Two wells are anticipated for next year, and a well was commenced after the fiscal year end on Banks Island in the Arctic. Sixteen wells have been drilled in the mainland part of the programme, resulting in three oil wells and eight gas wells.

The NEP opened up opportunities for Canadian companies to become involved in frontier exploration, and resulted in a major farm-in agreement between Teck and Aquitaine Company of Canada Limited towards the end of the fiscal year.

Teck and Copperfields Mining Corporation, on an 80:20 basis, have agreed to participate in all wells drilled by Aquitaine on its Canada Lands over the next four years, at a cost before Petroleum Incentive Payments of \$162.5 million. The Petroleum Incentive programme involves rebates by the Federal Government of 80% of qualifying exploration expenditures.

Aquitaine held 13 million net acres in the Beaufort Sea, the Labrador Shelf, Davis Strait, and the Arctic Islands. The programme is expected to include tests of some 20 separate structures, and will be carried out by a new Teck subsidiary, Teck Frontier Corporation. In addition to the basic programme on Aquitaine lands, Teck Frontier has the option of joint-venturing all new frontier farm-ins and permits acquired by Aquitaine during the period.

Teck Frontier's interest to be earned varies from 6.5% to 26% of Aquitaine's interest in these lands, depending upon proximity to prior discoveries, and is earned by the expenditure of 52% of the exploration costs. Aquitaine will provide the remaining 48% of costs directly. On after-acquired lands, Teck Frontier has the option of participating as a 26% joint venture partner.



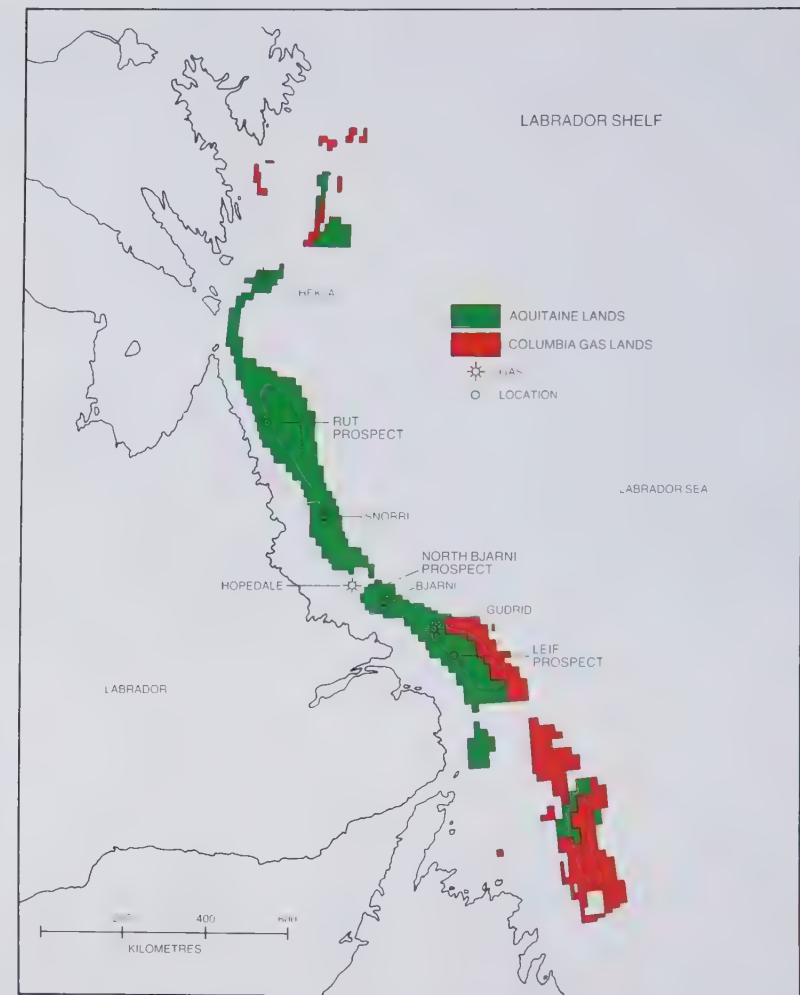
Aquitaine and Columbia Gas lands in the Beaufort Sea and the Arctic Islands in which Teck Frontier can earn an interest.

In 1981, Aquitaine was subsequently acquired by the Canada Development Corporation, merged with CDC Oil and Gas Ltd., and now operates under the name Canterra Limited. The agreement covers Aquitaine's prior lands and any new Canada Lands acquired by Canterra, but not lands previously held by CDC Oil and Gas.

Teck Frontier participated in four wells off the East Coast; North Leif I-05, North Bjarni F-06, Rut H-11 and Corte-Real P-85, and two projects in the Beaufort; North Issungnak L-86 and Uviluk P-66.

The North Leif I-05 well was drilled to a total depth of 3,513 meters. A drill stem test of the perforated interval 3,101 to 3,110 recovered 22.8 bbls. of 33.1° API oil. Adverse weather conditions precluded further testing and the well was subsequently abandoned. This is the first free oil recovery obtained from offshore Labrador and is considered encouraging for further exploration in the area.

The North Bjarni F-06 discovery well, located 8 kilometers north of the Bjarni O-82 test drilled in 1980 and on a separate structure, was drilled to 2,812 meters and plugged without testing. The operator, Petro-Canada, reports that electrical log analysis indicated 177 meters of net pay with an average porosity of 17%. It is anticipated that the well will be re-entered and fully tested next year.



Aquitaine and Columbia Gas lands off the Labrador coast in which Teck Frontier can earn an interest.

The Rut H-11 well was drilled to a depth of 3,527 meters and suspended at the end of the drill season. The well, with a projected total depth of 5,252 meters, will be re-entered and completed next year. The Corte-Real P-85 well, commenced after year end, was suspended at 770 meters. The well, with a projected depth of 5,300 meters, will be re-entered next year.

In the Beaufort Sea, the North Issungnak L-86 well was drilled to 4,771 meters and suspended short of the 5,200 meter projected total depth. Mechanical problems required termination of the well and prevented testing. The Uviluk well will be drilled next year from an artificial island, currently under construction.



Dr. Heinz Schimmelbusch of Metallgesellschaft and David A. Thompson, vice president and chief financial officer, at the Highmont opening.

FINANCIAL

Emphasis during the year was placed on improvement in balance sheet ratios and liquidity. Shareholders' equity increased from \$197 million to \$258 million while total long and short term debt was reduced from \$221 million to \$158 million. In the last two years debt repayments have totalled \$152 million as compared with an operating cash flow of \$88 million, with the additional debt reduction achieved mainly through the divestment of assets.

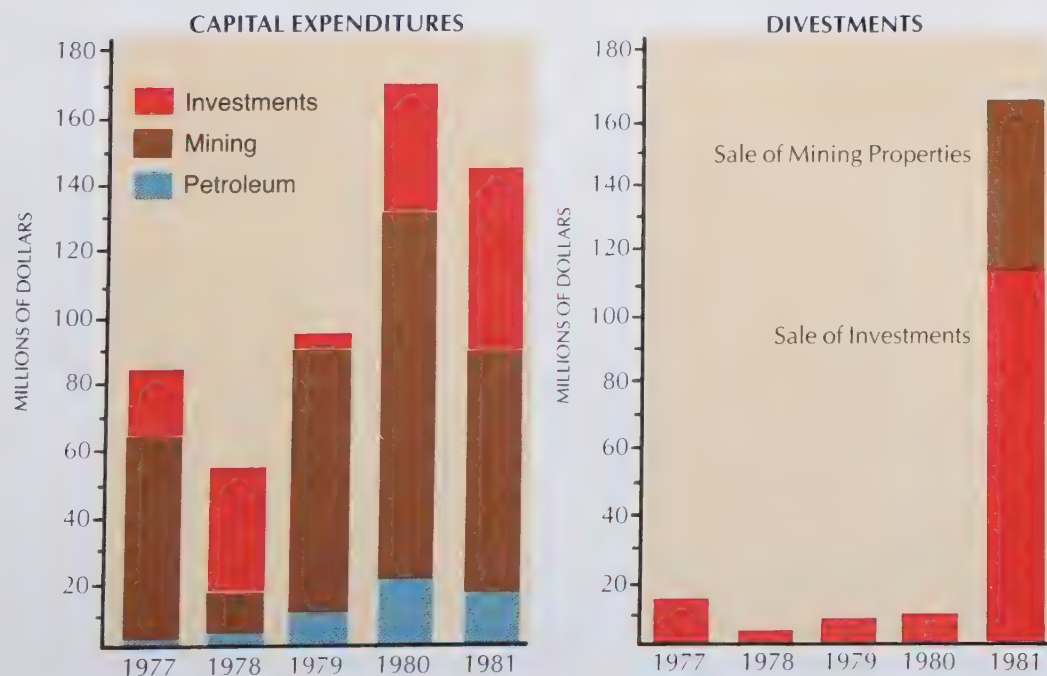
Operating earnings were \$11.9 million or 45¢ per share, down from \$31.8 million or \$1.24 a share a year earlier as a result of lower metal prices and higher interest rates. Extraordinary earnings resulting from investment transactions, including the sale of our interest in Coseka Resources and the assignment of a 20% interest in Highmont to a subsidiary of Metallgesellschaft totalled \$40.6 million, increased total earnings to \$52.5 million or \$2.05 a share, up from \$38.2 million or \$1.49 a share a year earlier.

Agreement in principle has been reached with Nissho Iwai of Japan for the sale of a 10% interest in the Bullmoose coal project. Others, including the Japanese steel mills which will purchase the coal, have expressed an interest in purchasing additional interests in the project.

An exploration agreement has been concluded with Aquitaine Company of Canada Limited, under which Teck and Copperfields Mining Corporation, on an 80:20 basis, will farm-in on Aquitaine's frontier landholdings in the Beaufort Sea, Arctic Islands and off the Labrador Coast. Teck and Copperfields have formed a new company, Teck Frontier Corporation, to carry on this programme as well as the previous frontier exploration agreement with Columbia Gas.

Teck Frontier will participate in all drilling on Aquitaine Canada lands over the next few years, with a planned budget of \$162 million before Petroleum Incentive Payments. The agreement is conditional on the maintenance of the Petroleum Incentive Payments under the National Energy Programme, which cover 80% of qualifying exploration costs. It is intended that Teck will finance its portion of the new company by transferring certain producing oil and gas properties to Teck Frontier.

While the company's financial strength has been improved by the past year's transactions and the outlook for continued growth in our producing base is good, the outlook for earnings in the first part of the next fiscal year is not good, with high interest rates and copper prices at their lowest constant dollar level in many years. These are the two biggest determinants of our cash flow at present; a 5% change in interest rates means approximately \$9.0 million to next year's cash flow, while a 15¢ (U.S.) increase in the price of copper would increase cash flow by approximately \$14 million.



Consolidated Statement of Earnings
for the year ended September 30, 1981

	1981	1980
	\$	\$
	(in thousands)	
Revenues		
Mining	134,588	160,288
Petroleum	14,524	15,695
Investment and other income	<u>5,276</u>	<u>2,818</u>
	<u>154,388</u>	<u>178,801</u>
Costs and Expenses		
Mining operations	88,342	77,812
Petroleum operations	3,907	4,443
Administration and general	5,889	3,751
Depletion, depreciation and amortization	14,285	14,354
Exploration	11,232	10,562
Interest on long-term debt	5,146	16,408
Other interest	8,514	3,260
Currency translation and amortization	<u>3,523</u>	<u>7,082</u>
	<u>140,838</u>	<u>137,672</u>
	<u>13,550</u>	<u>41,129</u>
Income and Mining Taxes		
Current	3,667	858
Deferred	<u>3,595</u>	<u>17,469</u>
	<u>7,262</u>	<u>18,327</u>
Earnings before the following	6,288	22,802
Equity in net earnings of associated companies (net of amortization of \$502,000; 1980 - \$732,000)	7,245	14,638
Minority interests in net earnings of subsidiaries	<u>(1,674)</u>	<u>(5,624)</u>
Net Earnings before Extraordinary Items	11,859	31,816
Extraordinary items (Note 6)	<u>40,651</u>	<u>6,372</u>
Net Earnings for the Year	<u>52,510</u>	<u>38,188</u>
Basic Earnings Per Share (Note 7)		
Before extraordinary items	\$0.45	\$1.24
Before deferred taxes and extraordinary items	\$0.58	\$1.93
After extraordinary items	\$2.05	\$1.49


TECK CORPORATION

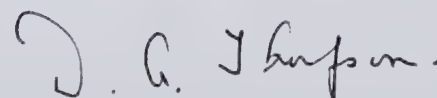
Consolidated Balance Sheet as at September 30, 1981

	1981	1980
	\$	\$
	(in thousands)	
ASSETS		
Current Assets		
Cash and short-term deposits	3,615	4,397
Accounts receivable and deposits (Note 4)	13,078	14,994
Concentrates, metals and settlements receivable (Note 4)	28,012	41,245
Notes receivable	22,869	9,900
Marketable securities — at cost	162	234
Supplies and prepaids — at cost	<u>13,533</u>	<u>7,659</u>
	81,269	78,429
Investments (Market value for quoted investments — \$87,306,000; see Note 1)	58,572	87,002
Property, Plant and Equipment (Notes 2 and 4)	352,091	334,671
Unamortized Foreign Exchange Loss	<u>3,700</u>	<u>2,704</u>
	<u>495,632</u>	<u>502,806</u>

LIABILITIES	1981 \$	1980 \$
	(in thousands)	
Current Liabilities		
Bank loans (Note 4)	30,097	23,102
Accounts payable and accrued liabilities	26,153	21,872
Income and mining taxes payable	1,554	2,798
Current portion of long-term debt	358	19,351
Deferred income and mining taxes	—	3,111
	<u>58,162</u>	<u>70,234</u>
Long-Term Debt (Note 4)	127,906	178,587
Deferred Income and Mining Taxes	51,842	46,401
Minority Interest in Net Assets of Subsidiaries	<u>113</u>	<u>10,916</u>
	<u>238,023</u>	<u>306,138</u>
 SHAREHOLDERS' EQUITY		
Capital Stock (Note 5)	117,418	104,534
Retained Earnings	138,267	90,089
 Shares Available for Issue (Note 5)	<u>1,924</u>	<u>2,045</u>
	<u>257,609</u>	<u>196,668</u>
	<u>495,632</u>	<u>502,806</u>

Approved by the Directors:

 N.B. Keevil, Director

 D.A. Thompson, Director

Consolidated Statement of Changes in Financial Position
for the year ended September 30, 1981

	1981 \$	1980 \$
	(in thousands)	
Source of Working Capital		
Funds generated from operations.....	26,872	61,316
Sale of investments and marketable securities.....	116,921	8,315
Sale of mineral properties and fixed assets	50,849	—
Dividends from associated companies	7,289	4,844
Long-term debt	34,656	140,010
Issue of common shares	483	19
Issue of preferred shares	12,280	—
Reclassification of current income taxes.....	3,052	—
	<u>252,402</u>	<u>214,504</u>
Use of Working Capital		
Investments	56,519	38,990
Petroleum properties	18,006	20,468
Mineral properties, rights and deferred costs.....	6,375	2,643
Plant and equipment	65,339	108,994
Reduction in long-term debt.....	86,615	65,691
Dividends.....	4,332	4,298
Other	304	—
Redemption of preferred shares on amalgamation with Highmont and Iso	—	5,701
	<u>237,490</u>	<u>246,785</u>
Increase (Decrease) in Working Capital	14,912	(32,281)
Working Capital — Beginning of Year.....	8,195	40,476
Working Capital — End of Year	<u>23,107</u>	<u>8,195</u>
Represented By:		
Current assets	81,269	78,429
Current liabilities	<u>58,162</u>	<u>70,234</u>
	<u>23,107</u>	<u>8,195</u>

Consolidated Statement of Retained Earnings for the Year ended September 30, 1981

	1981	1980
	\$	\$
	(in thousands)	
Balance at Beginning of Year	90,089	56,199
Net earnings for the year	<u>52,510</u>	<u>38,188</u>
	142,599	94,387
Dividends on preferred shares	532	526
Dividends on common shares	<u>3,800</u>	<u>3,772</u>
Balance at End of Year	<u>138,267</u>	<u>90,089</u>

Auditor's Report to the Shareholders

We have examined the consolidated balance sheet of Teck Corporation as at September 30, 1981 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances, except as explained in the following paragraph.

Equity in net earnings of associated companies and the related investment in companies carried on an equity basis includes \$4,530,000 which represents that portion of the earnings of investee companies which have not been audited.

In our opinion, except for the effect of adjustments, if any, which might have been required had audited financial

information of the investee companies described in the preceding paragraph been available, these consolidated financial statements present fairly the financial position of the company as at September 30, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
November 16, 1981

Coopers & Lybrand

CHARTERED ACCOUNTANTS

SIGNIFICANT ACCOUNTING POLICIES

Accounting standards

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and, except for valuing concentrate inventories at estimated net realizable value, conform in all other material respects to International Accounting Standards.

Principles of consolidation

These consolidated financial statements include the accounts of the company and all of its subsidiaries. Significant subsidiaries (note 3) included in the consolidation are:

Afton Mines Ltd., Amalgamated Brameda-Yukon Limited, Dighem Limited, Teck Explorations Limited, Lamaque Mining Company 1964 Limited, Teck Mining Group Limited, Teck Frontier Corporation, Teck Resources (U.S.) Inc.

The excess cost of investments in subsidiaries over the net assets at the date of acquisition relates to mineral properties and is amortized over the estimated life of the orebody from commencement of production.

Translation of foreign currencies

Amounts stated in foreign currency have been translated to Canadian dollars on the following bases:

- (a) property, plant and equipment, together with related accumulated depletion, depreciation and amortization — at exchange rates in effect at the acquisition dates.
- (b) all other assets and liabilities, including long-term debt — at exchange rates in effect at the balance sheet date.
- (c) all earnings accounts other than depletion, depreciation and amortization — at average exchange rates for the year.

Gains and losses arising from the translation of long-term debt are deferred and amortized over the term of the debt.

Investments in associated companies

The company follows the equity method of accounting for its investments in companies in which it owns from 20% to 50%, and over which it exercises significant influence. Under this method the company includes in its earnings its share of the earnings and losses of these associated companies. All of the significant accounting policies followed by the investee companies conform to those of the company. The excess cost of these investments over the related underlying equity in the net assets of the investee companies relates to specific mineral properties and is amortized over the estimated life of the orebody.

Joint ventures and partnerships

The company conducts substantially all of its petroleum and mining activities on joint venture and partnership bases and the accounts reflect the company's proportionate interest in such activities.

Concentrates, metals and settlements receivable

Concentrates are recorded at estimated net realizable value except where there is no contract for sale in which case they are recorded at the lower of cost and net realizable value. Metals and settlements receivable are recorded at estimated net realizable value.

Cost is determined on an average cost basis. Net realizable value is based upon the latest available metal prices, weights and assays, less provision for possible future declines in metal prices.

Property, plant and equipment

- (a) Petroleum properties and well development expenditures

Costs incurred, other than in frontier areas, on the exploration for and development of petroleum property reserves are accounted for by the "successful efforts" method whereby all expenditures are deferred as non-producing properties costs and amortized at an annual rate, presently 8%, until the property is abandoned or placed into production.

The costs relating to abandoned properties are charged against the 8% reserve pool to the extent costs were incurred in prior years and the balance is charged to earnings in the year of abandonment. Geological and geophysical costs are expensed as incurred.

Properties placed into production are transferred to producing well costs which include lease acquisition costs and the costs of drilling and equipment. Depletion and depreciation is calculated on the unit of production method based on estimated recoverable reserves.

Exploration costs in frontier areas, the Beaufort Sea, the Arctic Islands and East Coast offshore, are deferred as non-producing properties costs until the property is abandoned or placed into production. Such costs include land acquisition costs, geological and geophysical expense, financing costs and overhead expense related to frontier exploration activities.

- (b) Mineral properties, rights and deferred costs

Mineral properties and rights are carried at cost less amortization and do not necessarily reflect present or future values. Exploration costs are charged to earnings in the year in which they are incurred, except where these costs relate to specific areas having indicated economically recoverable reserves, in which case they are deferred.

Deferred costs also include financing costs relating to the construction of plant and equipment and operating costs net of concentrate revenue prior to the commencement of commercial production of a new mine.

Mineral properties and deferred costs are amortized over the life of the orebody upon commencement of production, or written off if the property is abandoned.

- (c) Plant and equipment

Plant and equipment are depreciated on a unit of production method based on estimated recoverable reserves.

Futures contracts

Futures contracts for sales of metals and currencies are entered into for maturities based upon estimated future production or receipt of currency. These contracts are liquidated at the time of production or receipt of currency and the realized gains or losses are included in revenue from mining.

Provision is made for unrealized losses on contracts maturing in subsequent accounting periods where the contracts relate to current production.

Income and mining taxes

The company records income and mining taxes on the tax allocation basis. Differences in amounts reported for tax purposes and accounting purposes result in deferred income and mining taxes which are shown separately in the statement of earnings and balance sheet. Deferred income taxes relate primarily to the depreciation and depletion of property, plant and equipment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 1981

1. INVESTMENTS

		Carrying Value	
		1981	1980
	%	\$	\$
	Ownership	(in thousands)	
Investments carried on an equity basis			
Casino Silver Mines Ltd. (N.P.L.)	38	676	676
Coseka Resources Limited	—	—	36,379
Highland-Crow Resources Ltd.	39	780	780
Lornex Mining Corporation Ltd.	22	45,530	43,076
Silver Standard Mines Limited (N.P.L.)	35	3,442	3,212
TDC Technology Development Corporation	50	2,960	1,210
Pine Bell Mines Limited	47	1	—
		<u>53,389</u>	<u>85,333</u>
Investments and advances carried at cost			
Other investments — quoted		1,167	101
Other investments — not quoted		1,740	560
Advances to associated companies		1,726	508
Housing loans to directors and senior officers		550	500
		<u>5,183</u>	<u>1,669</u>
		<u>58,572</u>	<u>87,002</u>

The unamortized excess of the carrying value of investments over the underlying equity in net assets of investee companies is \$4,700,000 (1980 — \$25,419,000).

Investments carried on an equity basis, excluding TDC Technology Development Corporation which is not quoted, have a quoted market value of \$84,650,000 at September 30, 1981. Other investments have a quoted market value of \$2,656,000 at September 30, 1981.

2. PROPERTY, PLANT AND EQUIPMENT

	1981		1980	
	Cost	Accumulated depreciation, depletion and amortization	Net	Net
	\$	\$	\$	\$
	(in thousands)		(in thousands)	
Petroleum properties:				
Producing well costs.....	29,420	9,098	20,322	10,804
Plant and equipment.....	14,427	6,426	8,001	4,716
Non-producing properties	<u>33,203</u>	<u>4,031</u>	<u>29,172</u>	<u>28,397</u>
	<u>77,050</u>	<u>19,555</u>	<u>57,495</u>	<u>43,917</u>
Mining properties:				
Mineral properties, rights and deferred costs.....	120,079	9,506	110,573	88,559
Plant and equipment.....	217,303	33,280	184,023	86,996
Construction in progress.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>115,199</u>
	<u>337,382</u>	<u>42,786</u>	<u>294,596</u>	<u>290,754</u>
	<u>414,432</u>	<u>62,341</u>	<u>352,091</u>	<u>334,671</u>

3. REORGANIZATIONS

- During the year, Afton Mines Ltd. was reorganized and the company converted its 73% share interest in Afton Mines Ltd. to a 73% direct interest in a partnership which owns and operates the mine.
- During the year, the company transferred the Highmont Mine Project to a partnership in which the company has an 80% interest and an affiliate of Metallgesellschaft Canada Ltd., a 20% interest. As a result of the transaction, \$29,200,000 of the project loan was assumed and, in addition, the company received \$21,649,000.
- The Newfoundland Zinc mine project was reorganized with the company now owning a direct 63% joint venture interest whereas previously a subsidiary owned a portion of this interest.
- On September 30, 1981, Amalgamated Brameda-Yukon Limited and Lamaque Mining Company 1964 Limited, both wholly-owned subsidiaries, were amalgamated with the company.

4. LONG-TERM DEBT

	1981	1980
	\$	\$
	(in thousands)	
Highmont Project (a)		
— term bank loan	120,500	115,200
Niobec Project (b)		
— joint venturer loan	3,826	4,496
Convertible Debenture (c)	3,000	3,000
Other	938	589
Term Bank Loans	—	35,788
Afton Project		
— term bank loan	—	18,147
— customer loan	—	17,562
Newfoundland Zinc Project		
— term bank loan	—	3,156
	<u>128,264</u>	<u>197,938</u>
Debt due within one year	358	19,351
	<u>127,906</u>	<u>178,587</u>

Aggregate minimum amounts, based on current rates of exchange, estimated to meet repayment provisions in each of the next five years are:

1982	\$ 358,000
1983	\$33,841,000
1984	\$20,615,000
1985	\$12,000,000
1986	\$30,400,000

- The Highmont Project loan (U.S. \$99,654,400) is secured by fixed and floating charges on the assets of the project, plus a fixed charge on the proceeds of sales. Certain investments and petroleum properties have also been lodged as additional security. The loan is repayable over five years commencing 1983, subject to acceleration in the event of available cash flow as defined in the loan agreement. The interest rate on the term bank loan is at 1 1/2% above U.S. dollar L.I.B.O. rate.

- (b) The Niobec Project loan is financed in U.S. dollars (U.S. \$1,000,000) and Japanese yen (yen 437,000,000). The U.S. dollar loan is an interest free customer loan with no fixed repayment terms. The yen loan, with interest at 9.35% per annum, is secured by a first mortgage on the property of the Project and is repayable in minimum annual instalments of 32,879,000 yen until 1982 with the balance payable in 1984.
- (c) The convertible debenture is repayable on December 31, 1988 or convertible up to December 31, 1983 into 400,000 Class B common shares (see Note 5(f)). Interest on the debenture is at 9 1/2%.
- (d) Repayment of the current bank loans of \$30,097,000 is secured by certain settlements receivable and inventory.

5. CAPITAL STOCK

(a) Authorized

An unlimited number of Class A common shares without nominal or par value.

An unlimited number of Class B common shares without nominal or par value.

An unlimited number of preferred shares without nominal or par value issuable in series.

The Class A common shares carry the right to 100 votes per share and the Class B common shares carry the right to one vote per share; in all other respects the Class A and B common shares rank equally.

The Series A Preferred shares are 7.5% cumulative redeemable convertible preferred shares.

The Series C Preferred shares are 8.36% cumulative redeemable convertible preferred shares.

(b) Issued and fully paid

	1981 \$ (in thousands)	1980 \$ (in thousands)
4,891,720 Class A common shares	13,987	13,987
20,449,408 Class B common shares	<u>84,151</u>	<u>83,547</u>
	98,138	97,534
70,000 Series A Preferred shares	7,000	7,000
223,272 Series C Preferred shares	<u>12,280</u>	<u>—</u>
	<u>117,418</u>	<u>104,534</u>

- (c) The company may be required to issue up to 287,236 Class B common shares (including a stock dividend) to former shareholders of Brameda Resources Limited, The Yukon Consolidated Gold Corporation Limited, Highmont Mining Corporation and Iso Mines Limited who have not yet presented their share certificates entitling them to obtain Class B common shares of the company.

- (d) During the year ended September 30, 1980, stock options were granted to officers and employees on 485,000 Class B common shares at \$9.675 per share. The options are exercisable in varying annual amounts up to December 31, 1984. As at September 30, 1981 options on 433,000 shares were outstanding.

- (e) During the year the following shares were issued:

	Shares	\$ (in thousands)
(i) Class B common shares		
Balance at beginning of year	20,383,694	83,547
Under the terms of the stock option for cash. . .	50,000	483
In exchange for the shares of Brameda, Yukon, Highmont and Iso presented for conversion .	<u>15,714</u>	<u>121</u>
Balance at end of year	<u>20,449,408</u>	<u>84,151</u>

(ii) Preferred shares

As part of the reorganization of Afton Mines Ltd., the company issued 223,272 Series C Preferred shares to former shareholders of Afton Mines Ltd. and received \$12,280,000 (Note 3(a)).

- (f) The holder of the 9 1/2% debenture (Note 4(c)) may convert the debenture on or before December 31, 1983 into 400,000 fully paid Class B common shares.

- (g) The Series A Preferred shares are redeemable at the price of \$100 per share after May 16, 1985, and may be converted into fully paid Class B common shares at the following rates:

Up to May 15, 1982 at a price of \$ 9.00

Up to May 15, 1985 at a price of \$10.50

The number of Class B common shares to be issued upon conversion of each Series A Preferred share shall be equal to the number obtained by dividing 100 by the conversion price.

- (h) The Series C Preferred shares are redeemable at prices between \$55.00 to \$60.00 per share after July 1, 1984, but redemption may only be made under certain conditions prior to July 1, 1986. Each share may be converted into fully paid Class B common shares at the following rates:

Up to June 30, 1986

2.5 Class B common shares

Up to December 31, 1991

2.3 Class B common shares

6. EXTRAORDINARY ITEMS

	1981 \$ (in thousands)	1980 \$ (in thousands)
Gain on sale of mineral property after provision for deferred income tax of \$2,600,000	11,834	
Gain on sale of investments after provision for deferred income tax of \$6,067,000	26,110	5,101
Income tax reduction arising from utilization of certain losses carried forward	2,470	1,152
Other	<u>237</u>	<u>119</u>
	<u>40,651</u>	<u>6,372</u>

7. EARNINGS PER COMMON SHARE

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the year of 25,308,271 (1980 — 25,273,914).

Fully diluted earnings per share are calculated on the weighted average number of shares that would have been outstanding during the year had the convertible debenture and the Series A and Series C Preferred shares been converted at the date of issue.

	1981 \$	1980 \$
Basic earnings per share		
Before extraordinary items	0.45	1.24
After extraordinary items	2.05	1.49
Fully diluted earnings per share		
Before extraordinary items	0.44	1.17
After extraordinary items	1.92	1.41

8. OTHER INFORMATION

(a) Related party transactions

Under the provisions of long-term concentrate sales contracts the company made sales amounting to \$27,981,000 during the year to Metallgesellschaft AG, a company owning approximately 20% of Teck Corporation's issued shares. The contracts were negotiated on an arms length basis. Concentrates and settlements receivable include \$3,962,000 due from Metallgesellschaft AG (See also Note 3(b)).

(b) Commitments

Teck Frontier Corporation, a subsidiary of the company, has committed to spend \$162.5 million prior to 1985 (\$30 million in 1982) on oil and gas exploration in the Beaufort Sea, the Arctic Islands and East Coast offshore through a farm-in arrangement with Aquitaine Company of Canada Ltd. These expenditures will be reduced by government grants under the federal Petroleum Incentive Programme.

The company has negotiated with Japanese steel mills to sell from its Bullmoose coal property 1.7 million tons of metallurgical coal annually commencing in the last quarter of 1983. The expected capital cost of this project will be \$280 million. Discussions are currently under way concerning project financing and port facilities and a production decision is subject to the successful conclusion of these discussions.

(c) Contingent liabilities

The company carries on certain of its mining activities on a partnership basis and as a result is jointly and severally liable for certain partnership liabilities and a project loan. The proportionate share of the loan and partnership liabilities attributable to other partners of \$36 million represents the amount for which the company is contingently liable. The company holds indemnities from its partners. In addition, the partners' share of partnership assets would be available for settlement of this amount.

(d) Pension plan

The unfunded past service liability of the employees' pension plan at September 30, 1981 was approximately \$200,000. This liability is being funded and charged to earnings over fourteen years.

(e) Segmented information

The directors have determined the company's principal classes of business, as defined by the Canada Business Corporations Act, to be mining and petroleum. Financial information relating thereto is disclosed in the Consolidated Statement of Segmented Information.

THE COMPANY

Teck is a Canadian natural resources company, involved primarily in exploration for, development and production of minerals and petroleum products. It produces oil, natural gas, copper, molybdenum, zinc, niobium, gold and silver. Its headquarters are in Vancouver, with exploration offices in Calgary; Toronto; North Bay; Reno, Nevada; and Sydney, Australia, as well as at its producing mines.

PRINCIPAL HOLDINGS

OPERATING DIVISIONS & JOINT VENTURES

Oil and Gas Division	(100%)
Lamaque Gold Mine	(100%)
Silverfields Silver Mine	(100%)
Beaverdell Silver Mine	(100%)
Highmont Copper Molybdenum Mine	(80%)
Newfoundland Zinc Mine	(63%)
Niobec Niobium Mine	(50%)
Afton Copper Gold Mine	(73%)

ASSOCIATED COMPANIES

Highland Crow Resources Ltd.	(39%)
Casino Silver Mines Ltd.	(38%)
Silver Standard Mines Limited	(37%)

INVESTMENTS

Lornex Mining Corporation Ltd.	(22%)
Madeleine Mines Limited	(25%)

DEVELOPMENT PROSPECTS

Bullmoose Coking Coal	(100%)
Burnt River Thermal Coal	(100%)
Schaft Creek Copper Molybdenum	(70%) ¹
Montcalm Nickel Copper	(35%)

RESEARCH & EXPLORATION

Teck Research Inc.	(100%)
TDC Technology Development Corporation	(50%) ²
Teck Explorations Limited	(75%) ³

Notes: (1) Silver Standard also holds a 30% carried interest in Schaft Creek.
(2) Holds investments in Intermagnetics General Corporation, Moli Energy Limited and Seagold Industries Corporation.
(3) Holds investments in Dighem Ltd. and Sonotek Limited.

Consolidated Statement of Segmented Information for the Year ended September 30, 1981

(in thousands of dollars)

	1981				1980			
	Mining \$	Petroleum \$	Other \$	Total \$	Mining \$	Petroleum \$	Other \$	Total \$
OPERATIONS								
Revenue								
Export	105,145	2,344		107,489	116,447	2,341		118,788
Domestic	29,443	12,180	5,276	46,899	43,841	13,354	2,818	60,013
	<u>134,588</u>	<u>14,524</u>	<u>5,276</u>	<u>154,388</u>	<u>160,288</u>	<u>15,695</u>	<u>2,818</u>	<u>178,801</u>
Costs and expenses								
Cost of operations	88,342	3,907		92,249	77,812	4,443		82,255
Administration and general			5,889	5,889			3,751	3,751
Depreciation and amortization	9,797	4,428	60	14,285	10,819	3,393	142	14,354
Exploration	5,055	6,177		11,232	3,592	6,872	98	10,562
Interest and currency translation adjustments	9,815		7,368	17,183	20,477		6,273	26,750
	<u>113,009</u>	<u>14,512</u>	<u>13,317</u>	<u>140,838</u>	<u>112,700</u>	<u>14,708</u>	<u>10,264</u>	<u>137,672</u>
	21,579	12	(8,041)	13,550	47,588	987	(7,446)	41,129
Income and mining taxes	<u>(9,796)</u>	<u>114</u>	<u>2,420</u>	<u>(7,262)</u>	<u>(21,032)</u>	<u>(778)</u>	<u>3,483</u>	<u>(18,327)</u>
	11,783	126	(5,621)	6,288	26,556	209	(3,963)	22,802
Equity in earnings of associated companies			7,245	7,245			14,638	14,638
Minority interest	<u>(1,668)</u>		<u>(6)</u>	<u>(1,674)</u>	<u>(5,646)</u>		<u>22</u>	<u>(5,624)</u>
Net earnings before extraordinary items	<u>10,115</u>	<u>126</u>	<u>1,618</u>	<u>11,859</u>	<u>20,910</u>	<u>209</u>	<u>10,697</u>	<u>31,816</u>
WORKING CAPITAL (DEFICIENCY)	(2,678)	(1,435)	27,220	23,107	11,361	(3,847)	681	8,195
INVESTMENTS			58,572	58,572			87,002	87,002
PROPERTY, PLANT AND EQUIPMENT	288,799	57,495	5,797	352,091	288,765	43,917	1,989	334,671
CAPITAL EXPENDITURES	71,714	18,006	56,519	146,239	111,637	20,468	38,990	171,095

OTHER: includes equity in earnings of associated companies and items not allocated to mining or petroleum.

COMPARATIVE FIGURES

	Year Ended September 30,									
	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance Sheet ('000)										
Total Assets.....	495,632	502,806	367,073	295,194	197,526	108,929	76,380	59,969	54,051	48,242
Long-term debt.....	127,906	178,587	104,120	135,907	81,397	34,349	17,885	8,961	4,772	5,158
Shareholders' equity.....	257,609	196,668	168,460	59,920	54,155	33,732	37,729	35,261	37,288	33,386
Working Capital.....	23,107	8,195	40,476	29,848	3,497	3,429	4,880	4,368	67	1,579
Earnings and cash flow ('000)										
Petroleum revenue.....	14,524	15,695	11,596	10,630	8,589	6,971	4,756	4,259	4,030	3,940
Mining revenue.....	134,588	160,288	127,034	64,366	36,305	29,643	17,266	12,783	9,694	7,180
Petroleum operating profit.....	10,617	11,252	8,810	8,198	6,618	5,147	3,392	3,131	2,935	2,666
Mining operating profit.....	46,246	82,476	58,325	22,096	8,057	4,298	3,955	4,180	2,556	1,492
Exploration expense charged to earnings.....	11,232	10,562	4,616	3,580	1,946	1,246	1,776	1,362	995	1,387
Capitalized exploration and property acquisition.....	24,381	23,111	20,572	5,770	5,643	2,824	2,355	2,770	1,381	1,455
Funds provided from operations.....	26,872	61,316	39,784	14,699	8,224	6,069	5,321	6,209	5,513	3,744
Capital expenditures excluding investments.....	89,720	132,105	30,355	22,818	64,153	17,049	12,617	3,132	1,575	1,659
Investments.....	56,519	38,990	64,716	32,283	4,219	892	2,410	4,246	5,833	19,783
Earnings before extraordinary items.....	11,859	31,816	22,506	4,292	4,083	1,786	2,423	4,202	2,962	1,603
Extraordinary items.....	40,651	6,372	5,723	316	10,601	216	45	(131)	940	2,595
Net earnings.....	52,510	38,188	28,229	4,608	14,684	2,002	2,468	4,071	3,902	4,198
Per Share										
Cash flow.....	\$1.06	\$1.91	\$1.73	\$0.85	\$0.60	\$0.45	\$0.39	\$0.46	\$0.41	\$0.27
Earnings before extraordinary items.....	\$0.45	\$1.24	\$1.19	\$0.31	\$0.29	\$0.13	\$0.17	\$0.31	\$0.22	\$0.11
Net earnings.....	\$2.05	\$1.49	\$1.50	\$0.33	\$1.05	\$0.15	\$0.18	\$0.30	\$0.29	\$0.31
Dividends.....	\$0.15	\$0.15	\$0.125	\$0.105	\$0.045	—	—	—	—	\$0.15

DIRECTORS

*Hon.R.K. Andras; P.C., Vancouver; Executive
Sir Michael Butler; Bt, Q.C., Victoria; Barrister and Solicitor
Ross G. Duthie, Vancouver; Mining Engineer
*R.E. Hallbauer; B.A.Sc., P.Eng., Vancouver; Executive
*N.B. Keevil, Ph.D.; Vancouver; Executive
*N.B. Keevil Jr; Ph.D.; Vancouver; Executive
J.D. Leishman; M.D., FRCS(c); Vancouver, Director, Mutual Life Assurance Company
K.G. Ratjen; Frankfurt; Chairman, Metallgesellschaft A G
I.F. Rushbrook; Edinburgh; Director, Ivory & Sime
H. Schimmelbusch; Wilmington, Del.; Metallgesellschaft A G
Keith E. Steeves, Vancouver; Executive
*D.A. Thompson, B.Sc.Econ.; Vancouver; Executive
A. von Kienlin; Frankfurt; Metallgesellschaft A G
J.H. Westell; Orillia; Consultant
*R.J. Wright; Q.C.; Toronto; Barrister and Solicitor
*Members of the Executive Committee

OFFICERS

Chairman of the Board	Dr. Norman B. Keevil
President	Dr. Norman B. Keevil, Jr.
Senior Vice President	Robert E. Hallbauer
Senior Vice President	Hon. Robert K. Andras
Vice President, Finance	David A. Thompson
Vice President, Marketing	Keith E. Steeves
Vice President, Engineering	Richard Drozd
Vice President, General Counsel	Robert J. Wright
Vice President, Administration	John A. Guminski
Secretary	Ronald F. Mossman
Assistant Secretary	Ronald W. Kram
Controller	John G. Taylor

DIVISION MANAGERS

Oil & Gas Division:	R.A. McIntosh, president
Teck Explorations Ltd:	J.L. May, president
Dighem Limited:	Dr. D.C. Fraser, president
Teck Research:	Dr. B. St. John, president
TDC Technology Development:	C.H. Rosner, president
Eastern Mining Operations:	K.I. Hymas, general manager
Lamaque Mine:	W.J. Shaver, mine manager
Silverfields Mine:	M. Robinson, mine manager
Beaverdell Mine:	B.E. Goetting, mine manager
Niobec Mine:	M.R. Rodrigue, mine manager
Newfoundland Zinc Mine:	A. Mitchell, mine manager
Afton Mine:	M.P. Lipkewich, mine manager
Highmont Mine:	B. Rhys Williams, mine manager

EXECUTIVE OFFICE

1199 West Hastings Street, Vancouver, British Columbia, V6E 2K5

PETROLEUM DIVISION

Suite 2000, Esso Plaza, East Tower, 425 — 1st Street SW, Calgary, Alberta, T2P 3L8

EASTERN DIVISION

P.O. Box 170, 1 First Canadian Place, Toronto, Ontario M5X 1G9

TRANSFER AGENTS

National Trust Company, Limited, Vancouver, Calgary, Winnipeg, Toronto,
Montreal First National State Bank of New Jersey, Newark, New Jersey, U.S.A.

AUDITORS

Coopers & Lybrand, Vancouver, British Columbia



AR22

Teck Corporation

**CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION**

For the Six Months Ended March 31, 1981
(Unaudited and subject to year-end adjustment)

	<u>1981</u>	<u>1980</u>
	(in thousands)	
	\$	\$
Source of working capital		
Funds generated from operations.....	19,354	27,849
Proceeds from sale of investments.....	3,653	8,639
Long-term debt.....	34,311	86,596
Dividends from associated company ..	5,329	3,096
Issue of shares.....	222	—
Sale of mineral properties.....	<u>22,341</u>	<u>—</u>
	<u>85,210</u>	<u>126,180</u>
Use of working capital		
Investments.....	15,392	32,862
Petroleum properties.....	11,425	6,843
Plant and equipment.....	40,654	62,559
Mineral properties and deferred costs..	1,238	159
Long-term debt paid or currently maturing.....	26,266	28,980
Dividends.....	2,160	2,138
Redemption of preferred shares.....	<u>—</u>	<u>5,695</u>
	<u>97,135</u>	<u>139,236</u>
Decrease in working capital.....	(11,925)	(13,056)
Working capital		
— beginning of period.....	<u>8,195</u>	<u>41,485</u>
Working capital (deficiency)		
— end of period.....	<u>(3,730)</u>	<u>28,429</u>

Approved by the Directors

[Signature] Director

D. A. Thompson. Director



Six Months Ended March 31, 1981

TECK CORPORATION

1199 West Hastings Street, Vancouver, British Columbia V6E 2K5

TECK CORPORATION

To the Shareholders:

There were a number of transactions completed or initiated during the period, the combination of which should lead to increased liquidity, the development of a major new coal mine and an opportunity for Teck's shareholders to participate in new frontier petroleum opportunities as a result of the National Energy Programme.

Ongoing operations proceeded normally, although earnings were affected by a combination of low metal prices and high interest costs. The new Highmont mine was completed within the budget of \$150 million, and the official opening has been set for June 7.

Earnings:

Net earnings before extraordinary items were \$10.6 million (41¢ per share), compared with \$16.9 million (66¢ per share) for the first six months last year. Including extraordinary items, primarily gains on sale of investments and the transfer of a 20% interest in the Highmont project to Metallgesellschaft, earnings were up \$3 million to \$25.3 million or 99¢ a share.

Mining:

Mine operating profits were \$29.6 million, compared with \$38.5 million in the same period a year ago. The main contributor to lower profits was copper, which averaged \$1.02 a pound compared to \$1.25 a year earlier.

The Highmont mine began producing concentrate from the first mine circuit in January, with the second circuit and the molybdenum leach plant completed in March. Shipments of leached molybdenum concentrate began in April and of copper concentrate in May. Production to the end of April amounted to 553,000 pounds of molybdenum and 4,352,000 pounds of copper in concentrate. Mill throughput averaged 22,180 tons per day in April. As equipment availability improves, it is expected that capacity will exceed design capacity of 25,000 tons per day.

Despite weak molybdenum markets, the purchaser of our molybdenum output, Metallgesellschaft, has performed admirably. We appreciate their commitment to a long term relationship.

Petroleum:

Operating profits from oil and gas were up \$0.7 million to \$6.2 million, on production of 1.9 billion cubic feet of natural gas and 484,000 barrels of oil. However, the contribution from the Canadian side was affected adversely by the Petroleum and Natural Gas Revenue Tax of the National Energy Programme. It is hoped that current negotiations between Ottawa and the Provinces will result in agreement which recognizes the need of industry for cash flow to continue its exploration activity, as well as the fact that certain aspects of the combined tax and royalty regimes inhibit continued development in some cases and cause certain fields to operate at a loss.

Transactions:

In January, a contract was entered into between Teck and a consortium of Japanese steel companies which should see development of a 1.7 million tonnes per year coking

coal mine at Bullmoose Creek in north-eastern British Columbia. Along with a nearby development led by Denison Mines, this will support the establishment of a new rail link by the British Columbia Railway, improvement of Canadian National Rail facilities from Prince George to Prince Rupert, and a new harbour at Prince Rupert. Construction is expected to begin on the Bullmoose project next spring, with completion scheduled for late 1983 at a capital cost of \$220 million.

Arrangements have been made for a merger of Teck and Afton Mines Ltd. which will result in Teck's 73% equity in Afton becoming a direct working interest. Metallgesellschaft will acquire the remaining 27% and will reimburse Teck for the cost of cash and convertible preferred shares issued to Afton minority shareholders. In addition to receiving its share of Afton's cash flow directly, Teck will likely receive a significant infusion of cash as a result of the reimbursement for preferred shares.

Teck has agreed to sell its 27% interest in Coseka Resources for \$85 million, payable \$55 million on closing and the balance in two years.

The combination of the transfer of a 20% interest in Highmont to Metallgesellschaft for \$22 million plus the assumption of \$30 million of Highmont's project financing by Metallgesellschaft (as outlined in the previous quarterly report), the proceeds from the Coseka sale and the funds expected to be raised from the Afton transaction will result in a substantial increase in Teck's liquidity.

Negotiations are well-advanced with Aquitaine Company of Canada Ltd. and the Federal Government which could lead to the formation of a new, Canadian-controlled company which would farm in on Aquitaine's extensive holdings in the Beaufort Sea, Davis Strait and off the East Coast of Labrador. This company, in which Aquitaine would have a minority interest, would also farm in on other frontier exploration lands, with a total budget of \$500 million over the next four years.

If the arrangements are approved by the Federal Government, Teck will participate in the formation and sponsorship of a new company, tentatively called Teck Frontier Corporation, which would enter into the agreement with Aquitaine. This is necessary because the Canadian Ownership Rating (COR) of Teck Corporation is not high enough for Teck itself to qualify for maximum Petroleum Incentive Payments. However, Teck Frontier Corporation would qualify, because it would be a constrained share company, the shares of which can only be held by Canadian residents.

All shareholders of Teck Corporation would receive warrants entitling them, if qualified, to purchase shares of Teck Frontier Corporation. Non-resident shareholders would receive their pro rata share of these warrants and be able to sell them in the market.

The proposed arrangement presents shareholders of Teck with an exciting opportunity to participate in one of the most interesting frontier petroleum exploration areas in the world, with a partner which contributes, in addition to land, knowledge gained through years of experience in the region.

On behalf of the Board,



N.B. Keevil
President

May 28, 1981

CONSOLIDATED STATEMENT OF EARNINGS

For the Six Months Ended March 31, 1981
(Unaudited and subject to year-end adjustment)

	1981	1980
	(in thousands)	
	\$	\$
Operating profits		
Concentrates and metals.....	29,639	38,535
Oil and gas, less royalties.....	6,217	5,473
Investments and other income.....	1,440	963
	37,296	44,971
Administration and general.....	2,909	1,711
Depletion, depreciation and amortization ..	6,833	6,351
Petroleum and mining exploration	5,503	3,992
Interest expense	7,515	11,055
Foreign exchange adjustments	1,649	3,000
	24,409	26,109
	12,887	18,862
Income and mining taxes		
— current	1,436	338
— deferred	4,148	8,096
	5,584	8,434
Earnings before the following.....	7,303	10,428
Equity in earnings of associated companies.....	5,048	9,547
Minority interest in net earnings of subsidiaries.....	(1,752)	(3,034)
NET EARNINGS BEFORE EXTRAORDINARY ITEMS.....	10,599	16,941
Gain on sale of investments and mineral property.....	14,738	5,390
NET EARNINGS	25,337	22,331
EARNINGS PER SHARE		
Before extraordinary items	\$.41	\$.66
Before extraordinary items and deferred taxes	\$.57	\$.99
After extraordinary items.....	\$.99	\$.88
FULLY DILUTED EARNINGS PER SHARE		
Before extraordinary items	\$.39	\$.64
After extraordinary items.....	\$.92	\$.85